

PART IV

16996/77

1950

ECONOMIC
SECRET
SUPPLIES

PART IV

16996/77

TRADE WITH JAPAN. ✓
TRADE ARRANGEMENTS.

Previous

PART III

Subsequent

PART V

C0537/5478

5910

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- 247. N.Z. to C.R.O. - 47. - 2-5-52.
- 248. Henley (Trg) to Miss ~~Henley~~ ^{Wingate} (37) - 3-5-52.
- 249. Tokio to Rio. - 105 Caden. - 2-8-4-52.
- 250. Tokio to F.O. - 290. - 2-5-52.
- 251. F.O. to Tokio. - 252. - 3-5-52.
- 252. To Singapore. - Tel 445. } Cmo. 5-5-52.
- 253. To F.O. / Malaya. Tel 447
- 253A. Kenya. - Nov. 699. - 2nd May. 1952.
- 254. F.O. to Tokio - 254. - 3-5-52.
- 255. Tokio to F.O. - 294. - 3-5-52.
- 256. Tokio to F.O. - 297. - 4-5-52.
- 256A. New Delhi to C.R.O. - 09610 - 4-5-52.
- 257. Singapore to F.O. - 410. - 4-5-52.
- 258. OM(52) 113. - W.P. Report on Japan. - 4-5-52.
- 259. OM(52) 408 Meeting. - Resolutions. - 4-5-52.
- 260. O.N. (52) 408 Meeting. - Meeting Notice. - 6-5-52.
- 261. Tokio to F.O. - 301. - 5-5-52.
- 262. Tokio to F.O. - 302. - 6-5-52.
- 263. C.R.O. to Tokyo. - 424. - 8-5-52.
- 264. C.R.O. to Australia. - 93. - 8-5-52.
- 265. C.R.O. to N.Z. - 46. - 8-5-52.
- 266. C.R.O. to South Africa. - 23. - 8-5-52.
- 267. C.R.O. to India. - 40. - 8-5-52.
- 268. C.R.O. to Ceylon. - 60. - 8-5-52.
- 268A. ⁵⁻⁶⁻⁵² ~~Henley~~ ^{Taka} - 9-5-52.
- 269. Singapore. - Tel. 344. - 9-5-52.

See 233 onwards.

12/5

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270. O.N. (50) 40th Meeting. - Minutes. — 5-5-50.
271. B.O.T. (Percival) Comps. - Table I. + II. — 8-5-50.
272. Estimates of Essential Repts.
273. Miss Dennehy (R.O.T.) - Table I. — 8-5-50.

Mr Rosser,

Pl see 253A to 273,
especially 253A and 269.

J. Wadmore
10/5/50.

269. Letter to Miss Wingate
herewith. Mr. Rosser now
to see above-mentioned items.

gmbeck
10.5

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274. To Miss Wingate (R.O.T.) — 10-5-50.
275. Australia to C.R.O. - 108. — 9-5-50.
276. O.N. (50) 41st Meeting. Minutes — 9-5-50.
277. To Milner (Try) - w/c note. — 11-5-50.
~~To Milner (Try) - w/c note. — 11-5-50.~~
278. To Miss Dennehy (R.O.T.) - C/2774 incl - Comps. - 11-5-50.
279. Ceylon to C.R.O. - 88 — 10-5-50.
280. Tokio to F.O. — 309. — 11-5-50.
281. C.R.O. to Ceylon. - 61. — 12-5-50.

- 282 Tokyo to F/O - 320 - 12. 5. 50.
- 283 EA office ~~where~~ 11. 5. 50.
- 284 O.N. (50) 44th meeting - ~~Agendum~~ 15. 5. 50.
285. Kenya - ~~Gov 525~~ 16. 5. 50.
286. Horton (E.A.O.) 9/285 - Comp - 14. 5. 50.
287. Horton E.A.O. w/c 253a 4 lines - 14. 5. 50.
- 288 Tokyo to F/O - 329 - 16. 5. 50.
- 289 Tokyo to F/O - 330 - 16. 5. 50.
- 290 O.N. (50) minutes of 44th meeting - 16. 5. 50.
- 291 Copy - Wilner to Yang - w/encl - 15. 5. 50.
- 292 " " " " w/draft - 17. 5. 50.
293. Tokyo to F/O - 334 - 18. 5. 50.
- 294 Croucher to Wilner (Cab/O) - w/encl - 18. 5. 50.
- 295 EAO. (Horton) - w/encl - 14. 5. 50.
- 295a. Excl. from O.N. (50) 45th Mtg. 19. 5. 50.
296. Treasury (Wilner) - 20. 5. 50.
297. To - Tokyo 287. 19. 5. 50.
298. Peter Rae Brown - Wilner 19. 5. 50.

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CABINET DOCUMENT REMOVED AND DESTROYED
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FOUND IN THE CABINET OFFICE RECORDS.

Folio 296 is the paper on Japan which the Overseas Negotiations Committee has approved for submission to Ministers and Treasury will be submitting it to the Minister of State (E.A.) forthwith.

The document reveals only too clearly that the form and magnitude of trade with Japan had not been appreciated and the submission is something of a hotch potch of departmental interests. It is particularly significant that the Committee has decided that no substantial decisions can be taken and "it will be necessary for the Delegation to refer back for more precise instructions after initial exploratory discussions".

For a long time it has been clear that the Japanese have been seeking to switch their food purchases from dollar to sterling sources and it was obvious that the trend would increase as time went on. The Working Party recognised the importance of this problem and decided (correctly, in my opinion) that the Japanese Trade Arrangement was not the occasion for resolving it, particularly as the matter was already under discussion in Washington. This is not new the view.

The Colonial Office has been concerned mainly by the bitter and unreasoning attempt by the Board of Trade to restrict the participation of the Colonies, while accepting the enormous increases predicted by other participants. The Board of Trade failed dismally in their attempt to justify their original case and eventually frankly admitted that their sole concern was political and concerned the protection of the U.K. trade. O.N.C. was solidly of the opinion that the Colonial figures should be accepted and the submission goes forward with the Board of Trade reservation.

Our case has been defended very vigorously in O.N.C. by both Foreign Office and Treasury and indeed on one or two occasions I have found it expedient to support Treasury even though in other circumstances it might have been held that our views did not coincide.

I think it is possible that the proposals that will be advanced by the Japanese will make the most of this exercise academic. The principal difficulty (i.e. Japanese purchases of sterling area foodstuffs) will have to be considered in some other context.

Harifone

299. Letter H.C. Lewis S. of - C.R.O.
300. Treasury (Flett.)
301. Tokyo - Mr. Welcher.

22nd May, 1950.

20.5.50
20.5.50
21.5.50.

336.

You told me that the Minister of State is to see Mr. Gaitskell and Mr. Harold Wilson at 10.30 a.m. on Wednesday, on the subject of technical requirements of Japanese textiles.

2. Before this meeting, the Minister should see the notes at (296). This is the submission by the Overseas Registration Committee ^{to Mr. Gaitskell} about the pattern of sterling area trade with Japan to be aimed at in the forthcoming negotiations with SCAP for a continuation, in 1950/1, of the annual trade arrangement.

3. Most of the paper is a discussion of the relative "hardness" of Japan as a source of supply, and of the possible consequences of buying too heavily from Japan, thus increasing SCAP's ability to buy scarce sterling-area raw materials (e.g. rice). The purpose of Wednesday's meeting is not to discuss these more general issues, but to discuss the estimates of Colonial requirements of Japanese textiles. These figures have been the subject of disagreement between the Board of Trade's representatives and the rest of the O.N. Committee. The parts of the paper which refer are:-

paragraphs 11, pages 6 & 7.

" 19, " 12

" 23, recommendation (1),
pages 14 & 15

annexes A, B & C.

4. The Minister will see, from Annex B, that the B.O.T. advance two arguments: (a) that any increase in Colonial textile requirements between 1949/50 and 1950/1 is a provi

unreasonable; and (b) that increased imports into the Colonies would work profits from Lancashire. The majority of the Committee endorse both these points in paragraph 19 of the paper. Colonial Office official views are given in Annex C.

5. Mr. Goull Barnes will be available to accompany the Minister on Wednesday, if required. If Mr. Digdale desires a preliminary talk about the Colonial Inquiry, Mr. Goull Barnes and I will be at a meeting in conference room H 344 from 10.30 a.m. onwards to-morrow Tuesday, and can be called out from there.

W. G. M.

302 Tokyo - Do. 337. 22/5
 303 C.R.O. - Australia 506. 22. 5. 58
 See 299 ~~304~~ C.R.O. (H.C. for Union of S.Af. - C.R.O. letter 20/5) 22. 5. 58
 Mr. Digdale 23. 5. 58

File returned with thanks. Mr. Goull Barnes
 shd. have back the end. to his minute
 opposite. M.W. 25/5

Done
 W. G. M.
 25/5

305 Minute by Mr. Goull Barnes - Minister of State. 23. 5. 58
 306 List of Comparative prices of U.K. & Japanese Textiles.
 307 Extract from Official Report. 23. 5. 58

(was a temporary file)

308 To - Tokyo 296

23.5.50

Mr. Bonell Barnes.

I attach draft reply to Mr. Flett's letter about Japanese trade, with the draft of a suggested personal message from you to Colonial secretaries or embassy officials in a few of the larger Colonies. Mr. Pross tells me that Jamaica's and Trinidad's estimates are lower than they were last year (Jamaica especially put in a very inflated figure last year, after water amended); so I have taken them out of the addresses.

W.A.A.

309 Ceylon - C.R.O.	369	23/5.	24.5.50
310 Tokyo - To.	109 Remae.		24.5.50
311 Locasury (Anderson & note of Mtg.)			24.5.50

The two draft letters attached

and out of the discussion at the Ministerial meeting recorded in minute below drafts. Mr. Bonell Barnes has seen the drafts. They were cleared with Mr. Bernard B.O.T. Mr. K. Anderson, T's told me what he was satisfied to B.O.T. agreed. Please file to me

See W.A.M. 16 at W.S.

W.A.A. 25/6/50

312 Australia - C.R.O. 372.

25. 5. 58

313. — — — — — 373.

25. 5. 58

314 CIRCULAR 18 Conf — cons — 26/5/50

315 CIRCULAR UNND — cons — 26/5/50

316 T. Bahamas. Savings No. 133 A.

317 " Barbados " " 212.

318 " Bermuda " " 110

319 " B. Honduras " " 169 A.

320 " Cyprus " " 431

321 " Falklands " " 61

322 " Fiji " " 120

323 " West Pac " " 97

324 " Gibraltar " " 226

325 " L.wards " " 206

326 " Somaliland " " 164

327 " Malta " " 188

328 " Seychelles " " 66

✓ 329 " Windwards " " 253

330. To — Tokyo. 305. }
— W. Ind. Sav. 2300 }

26. 5. 58

331. — — W. Ind. Sav. 2301 }

26. 5. 58

332. Central Paym Office Ltd (Adams)

26. 5. 58

333. C.R.O. (Dutton)

26. 5. 58

(encl & letter hair H.C. Office for India
— Dutton 20/5-)

314-329
Answers
sent per
file 21/63.

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26. 5. 58

PRIORITY. LF.
CONS.

31. 5. 50.
(A/C 315)

Revised as directed in minute 25/5

334 C.R.O - Australia 100

N. Zealand 53

S. Africa 29

India 45

Ceylon 67

Rept. Tokyo.

26. 5. 58

335 C.R.O. Duties - India (Tr)
2 c draft let.

25. 5. 58

336. India (Tr) - Crowthen. (To)
2 c draft let.

26. 5. 58

337. C-o minutes (re 335, 336)

26/30. 5. 58

337a Ceylon - C.R.O. 376

29. 5. 58

338. ON (50) 144 (2 pgs of appendix to an
16926/55)

30. 5. 58

339. To - Tokyo. 311.

30. 5. 58

RB H. 3/6.

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OUTWARD TELEGRAM

16996/77

339

Cypher/OTP

O.N.C. DISTRIBUTION

F

Confidential

FROM FOREIGN OFFICE TO TOKYO



No. 311

30th May, 1950

D. 2.0 p.m. 30th May, 1950

CONFIDENTIAL

DRIVE

314 Your telegram No. 109 Remac [Kailan Mining Administration Coal].

Early stages of negotiations may well show that it would be advantageous to us all to agree to transfer (though of a lesser amount, free to be spent in sterling area or permitted third countries). We do not at this stage wish to debar Pryor from discussion.

302 2. Your telegram No. 337, paragraph 2, last sentence. We object to shipping discrimination of this nature, even when it is in our favour.

8888

16996/77

Telegrams marked CYPHER (TYPEX) must first be paraphrased if communicated to persons outside British or United States Government Services; telegrams marked CYPHER (SIMPLEX) should be paraphrased where possible.

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337a

Inward Telegram to Commonwealth Relations Office

ALLOTTED TO ECONOMIC (IV) DEPT.
CYPHER (SIMPLEX)

FROM: U.K. HIGH COMMISSIONER IN CEYLON

D. Colombo 13.40 hours, 29th May 1950
R. 10.38 hours, 29th May 1950



No. 376

My telegram No. 369 and your No. 448. *NT*

309 :

JAPANESE TRADE AGREEMENT

Ceylon authorities anxious for early information about resumption of negotiations.

Copy to:- D.II
C.R.O.
Treasury

B/Trade

Foreign Office
Colonial Office

Mr. Gordon
Mr. F. Milner
Mr. D.O. Henley
Mr. J.H. Martin (4)
Miss S.D. Wingate
Cablegram Section (10)
Mr. F.H. Crowther
Mr. D.H. Rosser

Mr. Gorell Bashier.

337

I think that you should see these in view of EPC. They came to me to-day when I was badly caught up over budget de-rating. I made no comment; Mr. Milner's draft seems quite adequate as regards details. The draft to Dominions is a very risky - wacky affair, however.

W. A. M.

2675.

M. Morris

Seen, Thanks

Sure that the figure of £43,435,000 was given for V.K. / total requirements in the ltr. to the Doms. The inconsistency between this & the figure given to Tokyo may need some

Mr. Pinner
to see

explaining away labn.

hered.

35/5.

16996/77
With Mr. A. Milner complimentary

336

26th May, 1950.

Dear Crowther,

JAPAN

I enclose a draft telegram to Tokyo and should be glad if you and the others to whom I am copying could let me have your comments by noon to-day.

The immediately following telegram to which I refer consists of paragraphs 10, 11, 19 (now 2 (iii)), 12, 13, 14, 15, 16, 17, 18, 24 (ii), and 21 from the Overseas Negotiations Committee's submission with minor amendments, and I am therefore taking the liberty of sending copies only to you, Norman Young, and Miss Dennehy.

I am copying to Norman Young, Miss Dennehy, Rosser, Dutton, and ~~Mr. Milner~~.

Yours sincerely,

F. H. Crowther, Esq.,
Foreign Office.



XXXXXX
XXX

XXXXXX
XXX

DRIVE

CONFIDENTIAL

TOKYO

TOKYO

DRIVE

Negotiations with S.C.A.P.

1. The Overseas Negotiations Committee's submission has now been approved by Ministers, subject to certain qualifications which are given in this telegram. We are sending you a copy of the submission by bag so that you have the full picture; in the meantime we give in my immediately following telegram extracts dealing with the more important points. We are also copying to you a telegram which we are sending to Commonwealth Governments.
2. Ministerial instructions are that the utmost care should be taken in presenting the problem (see paragraph of my immediately following telegram) which induces us to devise some means of limiting S.C.A.P.'s purchases from non-participants. Such a limitation (i.e. that S.C.A.P. must balance with participants) is contrary to our professions about the multilateral use of sterling and to the usual practice, and might, unless we tread delicately, cause trouble with both S.C.A.P. and other participants. Our case should be explained by reference partly to the current Trade Arrangement and partly to the food problem (with its

O.N.C.

/background

background of an indirect dollar liability), but whilst we ourselves can see no solution other than that which we suggest we should be very willing to consider any other way out of the difficulty which S.C.A.P. or other participants may suggest.

3. The question of the cotton textile element in the Colonial requirements has been discussed by Ministers, but will have to be submitted to the Economic Policy Committee when the Colonial Office have obtained further information from the Colonies about their expectation of supplies from sources other than Japan. The cotton textile element in the figures given in the submission amounts to £22.9 million, whilst the Board of Trade consider £18.5 million would be adequate, and the final decision may be anywhere between these two limits. Pending a decision by the Economic Policy Committee you should use a provisional figure of £20 million i.e. the figure for the U.K. and the Colonies' requirements should, for the time being, be £40,535,000 instead of £43,435,000.

4. Ministers do not consider that the submission makes as much of our case on oil as could and should be made. They feel that whilst itemisation in general should be avoided we should argue strongly for the inclusion of oil in the estimates of what S.C.A.P. would take from us.

5. You will have seen our Drive 296 giving the South African's statement about the conditions on which they would be able to participate. As the South African Government cannot undertake to observe any given allocation of purchasing power they cannot strictly speaking be participants. A good deal depends, however, on the views taken by other participants and, of course, by S.C.A.P., and we think that it would be useful, in any case,

for the Union's senior Trade Commissioner in Singapore to be associated with the discussions, even if the final decision is that South Africa cannot be a formal participant in the Trade Arrangement. We are therefore suggesting to the South African Government that Mr. Jensen should join you in Tokyo, and we should be glad if you and the representatives of the other participants would discuss the problem with him.

6. You will see from the telegram to Commonwealth Governments that we are expressing the hope that they will be able to inform their representatives of their general concurrence with the line which we are proposing to take, and that we are asking them to agree that you should fix a date for the start of the negotiations within the next ten days. It is therefore for you and the other participants to agree with S.C.A.P. a date which is suitable to all concerned.

Copy to Mr. Rosser, Colonial Office

COMMONWEALTH RELATIONS OFFICE,

DOWNING STREET.

335-

25th May, 1950.

850293/50

Dear Milner,

J A P A N

I enclose the draft of a telegram to the five Commonwealth Governments concerned based on the submission to the Minister of State for Economic Affairs.

We think that it would be more convenient to deal with the position of South Africa in a separate message and there is in any case not the same urgency about this problem.

You will see that we have suggested 5th June as the opening date for discussions in order to give some time for replies to our telegram.

We are anxious to despatch the telegram by midday on Friday and we should be grateful for any comments before then.

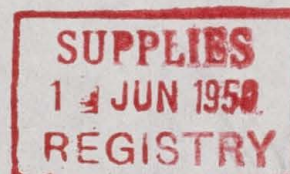
I am sending copies of the draft to Henley, Rosser, Miss Wingate, Crowther and Raeburn.

Yours sincerely,

(Sgd.) J. M. DUTTON

P. MILNER, ESQ.,
CABINET OFFICE.

Treasury



DRAFT TELEGRAM (CYPHER)

To EXTERNAL AUSTRALIA
PRIMUS NEW ZEALAND
EXTERNAL SOUTH AFRICA
INDIA
CEYLON

Repeated UKLM TOKYO
VIA FOREIGN OFFICE

IMMEDIATE

Trade with Japan

My telegram No.

1. As you will know, preparation of a brief for our negotiators at forthcoming discussions with SCAP on renewal of Arrangement has proved difficult. During discussions here, we have realised that negotiations have to be considered against a background of developments and tendencies which, however difficult to assess or forecast with precision, undoubtedly present some different and bigger problems than in previous years.
2. The most serious problem results from Japanese revival. Internal recovery of Japan and diminishing financial assistance from United States must drive Japan to seek to increase trade with Sterling Area. Effects of this will be serious to economy of Sterling Area if, as is likely, Japan looks to Sterling Area for greatly increased supplies of foodstuffs and essential

/raw

raw materials. Already this year Japan's purchases of e.g. rice have given rise to concern. Basic problem of trade with Japan is thus no longer danger of a dollar liability, but we see instead following dangers:-

- (i) Sterling Area may be embarrassed by Japanese competition for supplies, especially foodstuffs in short supply especially rice;
- (ii) Insofar as Japan acquires these supplies for sterling, Sterling Area may have to acquire supplies of same nature for dollars;
- (iii) Sterling Area may be under pressure to take goods of lower essentiality and other goods which, in view of (ii) cannot be regarded as an equivalent exchange for what Japan buys in return;

3. We realise that Trade Arrangement as such is not as suitable a mechanism for countering these dangers as it was in avoiding a dollar loss to Sterling Area. There is also a danger that any attempt to restrict nature of Japan's trade with Sterling Area by means of Trade Arrangement in present form may lead to some political difficulties with United States authorities. We feel nevertheless that dangers to Sterling Area economy foreseen are so serious that they must affect

/the

the form of any Arrangement entered into with SCAP.

4. Thus while we should in principle wish to put Sterling Area trade with SCAP on a normal basis and therefore permit maximum amount of freedom in his use of sterling, we feel that we must endeavour to prevent SCAP from being able either

(a) to inflate his purchasing power among Participants by selling to them goods of lower essentiality, or

(b) to use any surplus earned from Participants to inflate his purchases of scarce commodities from Non-Participants.

These are primary objectives which we consider our negotiators should seek to achieve, but in light of estimates of essential requirements put in by Participants, their achievement may present serious difficulties if an Arrangement satisfactory to all Participants is to be obtained. Participants have stated following essential requirements:-

U.K. and Colonies	£43,435,000
Australia	14,860,000
New Zealand	600,000
India	10,000,000
Ceylon	4,600,000
South Africa - Tentative estimate	3,000,000
TOTAL	<u>£76,495,000</u>

/First

First step in negotiations with SCAP will therefore be to persuade SCAP to purchase from Participants at a corresponding rate. We do not yet know if SCAP will be able or willing to do so. A preliminary estimate prepared by SCAP of his estimated purchases from Sterling Area suggested that his programme of purchases from Participants would be at level of only \$54 million, thus leaving a substantial gap of \$19 million. It is possible that by time negotiations open SCAP may have considerably revised his purchasing programme and problem presented by gap may not therefore arise. It is also possible that there may be some downward revision in Participants' programmes in light of actual availabilities of supplies from Japan. But if as may well be the case SCAP is unwilling to purchase from Participants at rate required on grounds that he should be enabled to use a surplus with Participants in order to finance a deficit with Non-Participants, representatives of Participants at negotiations will be faced with very difficult problem. Possible solutions as we see them are as follows:-

- (a) Total trade between participants and SCAP might be allowed to remain unbalanced to some specified extent provided that this would not have effects mentioned in paragraph 2 above.
- (b) An acceptable pattern of trade might be achieved by some such other means as a direct agreement with SCAP by which he would undertake to limit

/his

his purchases to rice and other essential food and raw materials during the year.

- (c) Participants might as a last resort be prepared to accept a pro rata cut in their proposed purchasing programmes.

A decision between these various solutions must clearly receive further consideration by participating Governments concerned and we are therefore suggesting that our negotiators should report back if this position is in fact reached.

5. Additional recommendations in our brief are as follows:-

- (i) If it is possible to reach agreement with SCAP on trade in essentials we should be prepared to consider on a reciprocal basis, additional trade in goods which though not essentials are regarded as desirable.
- (ii) Our negotiators should invite SCAP to agree that both parties should use their best endeavours to facilitate trade at least up to level set out in Arrangement except to extent that diversion of purchasing power may be agreed. This would replace existing clause in Trade Arrangement which embodies an automatic obligation of either side to match purchases up to any level.

/(iii)

(iii) We should avoid detailed itemisation of trade in form of trade schedules, but it will be desirable to establish a fairly detailed pattern of trade, particularly if provision is made for trade in desirable goods as well as in essentials.

(iv) We should not ourselves suggest to SCAP that he should increase his present working balance or entirely forego his convertibility rights, but we should accept such offers made by SCAP without however being prepared to give anything in return.

(v) We should not bind ourselves to agree to a Trade Arrangement of more than one year's duration.

(vi) A separate telegram will be sent about position of South Africa.

6. We have outlined our brief fully so that other Commonwealth Governments may appreciate the difficulties we are up against. We should welcome any comments which other Participants may have on line proposed. We are however, as other Participants will be, anxious that negotiations with SCAP should start as soon as possible and we suggest that unless there is substantial difference of opinion, negotiations with SCAP might start on 5th June. We should be grateful for a very early reply to this telegram.

Wm. Morris

You will no
doubt consider whether
we need to take parallel
action to part of this
telegram.

Wm.

30/5.

Mr. Russell

I had not realised
what the point of the
inquiry had been
his case. If this
has been agreed, we
shall presumably all
act. simultaneously
W.A.M.
30/5

16996/77
334

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Outward Telegram from Commonwealth Relations Office

ECONOMIC (IV) DEPT.

CYPHER (SIMPLEX)

TO: AUSTRALIA (GOVT.)
NEW ZEALAND "
SOUTH AFRICA "
INDIA "
CEYLON "



RPTD: UKLM TOKYO (VIA FOREIGN OFFICE)

(Sent: 20.00 hours, 26th May, 1950)

PRIORITY

No. 100
No. 53
No. 29
No. 45
No. 67

Addressed to the Governments of Australia No.100, New Zealand No. 53, South Africa No.29, India No. 45, Ceylon No.67 and repeated to UKLM Tokyo.

TRADE WITH JAPAN

264/268
My telegram No.93 Australia/No.46 New Zealand/No.23 South Africa/No.40 India/No.60 Ceylon.

1. As you will know, preparation of a brief for our negotiators at forthcoming discussions with Supreme Commander Allied Powers (S.C.A.P.) on renewal of Arrangement has proved difficult. During discussions here, we have realised that negotiations have to be considered against background of developments and tendencies which, however difficult to assess or forecast with precision, undoubtedly present some different and bigger problems than in previous years.

2. Most serious problem results from Japanese revival. Internal recovery of Japan and diminishing financial assistance from United States must drive Japan to seek to increase trade with Sterling Area. Effects of this will be serious to economy of Sterling Area if, as is likely, Japan looks to Sterling Area for greatly increased supplies of foodstuffs and essential raw materials. Already this year Japan's purchases of e.g. rice have given rise to concern. Basic problem of trade with Japan is thus no longer danger of dollar liability, but we see instead following dangers:-

- (i) Sterling Area may be embarrassed by Japanese competition for supplies, especially of foodstuffs in short supply such as rice;
- (ii) Insofar as Japan acquires these supplies for sterling, Sterling Area may have to acquire supplies of same nature for dollars;

/(iii) Sterling

- (iii) Sterling Area may under present form of Trade Arrangement be under pressure to take goods of lower essentiality which, in view of (ii) cannot be regarded as an equivalent exchange for what Japan buys in return;

We set out in para.4 below only way we can see of dealing with this problem within Trade Arrangement; but if other participants can suggest some alternative solution we should of course be very ready to consider it.

3. We realise that Trade Arrangement as such is not as suitable a mechanism for countering these dangers as it was in avoiding direct dollar loss to Sterling Area. There is also danger that any attempt to control nature of Japan's trade with Sterling Area by means of Trade Arrangement in present form may lead to some political difficulties with United States authorities. We feel nevertheless that dangers to Sterling Area economy foreseen are so serious that they must be taken into account in determining form of any Arrangement entered into with S.C.A.P.

4. Thus while we should in principle wish to permit S.C.A.P. maximum amount of freedom in his use of sterling, consistent with guarding against a direct loss of dollars, we feel that we must endeavour to prevent him from being able either:-

- (a) to inflate his purchasing power by selling to Participants goods of lower essentiality, or
- (b) to use any surplus earned from Participants to inflate his purchases of scarce commodities from Non-Participants.

These are primary objectives which we consider our negotiators should seek to achieve, but in light of estimates of essential requirements put in by Participants, their achievement may present serious difficulties if an Arrangement satisfactory to all Participants is to be obtained. Participants have stated following essential requirements:-

U.K. and Colonies	£43,435,000
Australia	14,860,000
New Zealand	600,000
India	10,000,000
Ceylon	4,600,000
South Africa - Tentative estimate	3,000,000
	<hr/>
TOTAL	£76,495,000
	<hr/>

We feel that first step in negotiations with S.C.A.P. should therefore be to persuade S.C.A.P. to purchase from Participants at a corresponding rate. We do not yet know if S.C.A.P. will be willing to do so. A preliminary estimate prepared by S.C.A.P. of his purchases from Sterling Area suggested that his programme of

/purchases

purchases from Participants would be at level of only £54 million, thus leaving gap of £22 million. It is possible that by time negotiations open S.C.A.P. may have considerably revised his purchasing programme and problem presented by present estimate of gap may not therefore arise. It is also possible that there may be some downward revision in Participants' programmes in light of actual availabilities of supplies from Japan. But if S.C.A.P. is unwilling to purchase from Participants at rate required on grounds that he should be enabled to use a surplus with Participants in order to finance a deficit with Non-Participants, representatives of Participants at negotiations will be faced with very difficult problem. Possible solutions as we see them are as follows:-

- (a) Estimates of total trade between participants and S.C.A.P. might be allowed to show some unbalance provided that this would not be so great as to have effects mentioned in paragraph 2 above.
- (b) An acceptable pattern of trade might be achieved by some such other means as a direct agreement with S.C.A.P. by which he would undertake to limit his purchases of rice and other essential food and raw materials during the year.
- (c) Participants might as last resort be prepared to accept some cut in their proposed purchasing programmes.

A decision between these various solutions must clearly receive further consideration by participating Governments concerned and we are therefore suggesting that our negotiators should report back if this position is in fact reached.

5. Additional recommendations in our brief are as follows:-

- (i) As most participating Governments have already agreed our negotiators should invite S.C.A.P. to agree that both parties should use their best endeavours to facilitate trade at least up to level set out in Arrangement except to extent that diversion of purchasing power may be agreed. This would replace existing clause in Trade Arrangement which embodies an automatic obligation of either side to match purchases up to any level.
- (ii) If it is possible to reach agreement with S.C.A.P. on trade in essentials we should be prepared to consider additional trade on a reciprocal basis in goods which though not essentials are regarded as desirable.
- (iii) We should avoid detailed itemisation of trade in form of trade schedules, but it seems desirable to establish a pattern of trade, particularly if provision is made for trade in desirable goods as well as in essentials.
- (iv) We should not ourselves suggest to S.C.A.P. that he should increase his present working balance or indeed entirely forego his convertibility rights, but we should of course accept the latter in unlikely

/event

event that it is offered by S.C.A.P. and we might welcome the former subject to position reached in negotiations as a whole.

- (v) We should not bind ourselves to agree to a Trade Arrangement of more than one year's duration.
- (vi) A separate telegram will be sent later about position of South Africa.

6. We have outlined our brief fully since we are anxious to give other Commonwealth Governments as full an appreciation as possible of difficulties we foresee and our views on how they should be solved. We should welcome any comments which other Participants may have. We are however, as other Participants will be, anxious that negotiations with S.C.A.P. should start as soon as possible and we suggest that representatives of Participants in Tokyo should fix as early date as possible in consultation with S.C.A.P. We should be grateful for a very early reply to this telegram.

7. We do not wish trade with Japan to be interrupted. In the interim before renewal of Trade Arrangement is agreed we suggest that licensing of Japanese goods should meanwhile continue on about same scale as in present year; and we shall urge S.C.A.P. to resume full scale buying as quickly as possible.

Copy to: D.II.

OVERSEAS NEGOTIATIONS DISTRIBUTION

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333

With Mr. J. M. Dutton's compliments

SUPPLIES
30 MAY 1950
REGISTRY

5 MAY 1950

Commonwealth Relations Office,
Downing Street.

OFFICE OF THE HIGH COMMISSIONER FOR INDIA

650256/50
333

The Trade Commissioner,
India House,
Aldwych, London W.C.2.

Ref. T.19-2-5

20th May, 1950

Dear Dutton,

This is to confirm our telephone conversation yesterday afternoon, when I informed you that we have received a cable from the Government of India advising us that they have since re-examined and stepped up our export and import estimates of trade with Japan for 1950/51 and that our import requirements on the revised basis, are now estimated at £10,000,000.

Yours sincerely,

Sgd. K.C. Nair

J.M. Dutton, Esq.,
Commonwealth Relations Office,
Downing Street,
S.W.1.

Copy to J. Milner, Esq. Treasury

" " D.O. Henley, Esq. "

" " Miss S. D. Wingate, B/I

" " J. H. Crother, Esq. F.O

" " D. H. Rosser Esq C.O

12 6 MAY 1950

CENTRAL RAYON OFFICE LTD.

16996/77.
332

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OUR REF. LCLA/DP.
YOUR REF

26th May, 1950.

D.H. Rosser, Esq.,
The Colonial Office,
Sanctuary Buildings,
Great Smith Street,
LONDON. S.W. 1.

SUPPLIES
30 MAY 1950
REGISTRY

Dear Rosser,

Japan/Sterling Area Trade

Arrangement 1950/51.

I understand that the talks concerning the above began in Tokyo on Monday 22nd instant and Harrison and I would be very much obliged if you can let us know if any date has been suggested as likely for the announcement of the terms of the new arrangement for next year. I recollect your telling me when we called on you on 11th ultimo that you expected the matter to be completed in good time this year, i.e. before 30th June. Does the fact that the talks started on 22nd instant enable you still to hold to that view?

With kind regards from Harrison and myself.

Yours sincerely,

L.C.L. Adam

L.C.L. Adam.

Ans. 348.

OUTWARD TELEGRAM

Cypher/OTF

O.N.C. DISTRIBUTION

F

Confidential

FROM FOREIGN OFFICE TO TOKYO

No. 306

26th May, 1950.

D: 3.30 p.m. 27th May, 1950.

CONFIDENTIAL

DRIVE

Addressed to Tokyo telegram No. 306 of 26th May
Repeated for information Saving to Washington 2301

My immediately preceding telegram.

[Negotiations with Supreme Commander Allied Powers
(S.C.A.P.)].

Extracts from submission are as follows:-

Main points. General.

1. In principle we should, of course, wish to put our trade with S.C.A.P. on a normal basis and therefore permit the maximum amount of freedom in his use of sterling; there is, indeed, no other country with whom we seek to ensure that sterling is spent only in certain parts of the Sterling Area. In the case of Japan, the attainment of this objective is seriously complicated by S.C.A.P.'s large demand for sterling area foodstuffs and raw materials from both participants and non-participants; this demand may cause the Sterling Area to lose supplies which it cannot afford to lose. Given the demand for essential Japanese goods by the participants we must inevitably expect that S.C.A.P. will want substantial quantities of scarce food and raw materials from them in return. Such an exchange of equivalents would be fully justified. S.C.A.P. is also entitled to buy from the non-participants up to the limit of his sales to them and will certainly try to increase these as much as possible. What we must endeavour to avoid is that S.C.A.P. should be able either

- (a) to inflate his purchasing power among participants by selling to them less-essential goods; or
- (b) to use any surplus earned from participants to inflate his purchases of scarce commodities from other non-participants.

We consider /

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SUPPLIES
30 MAY 1950
REGISTRY

CONFIDENTIAL

Foreign Office telegram No. 306 to Tokyo

- 2 -

We consider that the whole problem of S.C.A.P.'s purchases in the Sterling Area and its long-term implications needs separate study. At this stage we can only put forward positive proposals when our negotiators have obtained full information of what S.C.A.P.'s intentions are in 1950/51.

Participants' essential requirements

2. (i) (For the figures see paragraph 4 of the telegram to other participants, in which, however, we have not modified the figure for United Kingdom and the Colonies to take account of the factors referred to in paragraph 3 of my immediately preceding telegram. Lingenan is fully aware of the issue arising on Colonial requirements of cotton).
- (ii) The figure for South Africa is at present no more than a formal estimate. There is some evidence that South African purchases from Japan may be considerable, and the South African import licensing system as at present administered is such that imports from any particular country cannot be controlled. It might be argued that if South Africa cannot enforce the observance of allocation of purchasing power she cannot qualify as a participant and should be treated as a non-participant. This would not, however, prevent large purchases by South Africa which would provide S.C.A.P. with sterling for excessive purchases of foodstuffs. We have recently explained the issue fully to the South African Government and invited them to consider whether they can suggest any solution, and are now awaiting their reply. We cannot, however, put pressure upon the South Africans as their import system was established on lines discussed with us, and we already earn gold from them in respect of their essential imports. We shall probably, therefore, have to put up with this uncertainty, which affects the Sterling Area balance of payments with Japan whether or not

South Africa /

OUTWARD TELEGRAM

CONFIDENTIAL

Foreign Office telegram No. 306 to Tokyo

- 3 -

South Africa is treated as a participant. (See paragraph 6 of my immediately preceding telegram). Subject to a decision on the Colonial figure and to the outcome of our approach to South Africa, these are the figures which our negotiators would have to present in Tokyo and to examine against S.C.A.P.'s estimates of availabilities. (As regards the Colonial figure and South Africa see my immediately preceding telegram).

Negotiation of the Trade Arrangement

3. We consider that it would be reasonable for our negotiators to take the line initially that S.C.A.P. should balance his trade with participants. This has been the basis of previous arrangements and we suggest that our negotiators should emphasise both to other participants and S.C.A.P. that imbalance for the purpose of enabling S.C.A.P. to make additional purchases of foodstuffs from non-participants would be contrary to the interests of the Sterling Area as a whole; our negotiators should also point out that we understand that the major non-participants, Burma and Pakistan, aim at achieving a bilateral balance with Japan (although this argument is not particularly strong in that whilst Burma and Pakistan are aiming at avoiding a deficit they might not regard a surplus as unwelcome). If it should prove impossible to reach agreement with S.C.A.P. on this issue our negotiators would have to report the full position to us and we should have to consider the alternatives set out in the later part of paragraph 4 of the telegram to other participants). The Committee do not feel that these alternatives can be considered until our negotiators are able to give us figures showing the size of the gap. The Commonwealth Relations Office, however, wish to express forthwith their view that there should be no suggestion of a cut in participants' purchases unless His Majesty's Government is prepared to demonstrate that an imbalance at a level sufficient to enable the purchases to be made could have the serious effect envisaged on the availability

of scarce /

CONFIDENTIAL

Foreign Office telegram No. 306 to Tokyo

- 4 -

of scarce foodstuffs and raw materials within the Sterling Area.

Trade in less essentials

4. If it should be possible to reach agreement with S.C.A.P. on a satisfactory exchange of essentials there would be no reason why we should not be prepared to consider, on a reciprocal basis, additional trade in goods which, though not essential, are regarded as desirable. This would have the advantage of broadening trade between S.C.A.P. and the participants, but we should expect to have a satisfactory arrangement under which S.C.A.P. would not be able to earn additional sterling for use in the purchase of additional foodstuffs either from participants or non-participants.

The present obligation to match purchases

5. The present Trade Arrangement provides that S.C.A.P. and the participants will spend on imports the full amount of their earnings on exports, except to the extent that diversion of purchasing power is agreed. This constitutes an obligation (for which there is no parallel in any other bilateral negotiations) to match S.C.A.P.'s purchases regardless of their character or volume; we could be required to make purchases, even purchases of less essentials, to match S.C.A.P.'s purchases of e.g. scarce foodstuffs from participants. The requirement is, moreover, one which the participants cannot strictly comply with now that an increasing volume of their trade is on private account; it is also excessively rigid. We therefore suggest that we should invite S.C.A.P. to substitute a formula to the effect that both parties should use their best endeavours to facilitate trade at least up to the level set out in the Trade Arrangement.

Trade schedules

6. In the 1948/49 Arrangement we had detailed schedules and would have followed this precedent in 1949/50 but for devaluation, which introduced uncertainties about prices and made detailed schedules impossible. We understand that

S.C.A.P. and /

OUTWARD TELEGRAM

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Foreign Office telegram No. 306 to Tokyo

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S.C.A.P. and at least one of the major participants will press for detailed schedules for 1950/51. The danger of doing this, however, in present circumstances, is that to adopt trade schedules in any binding form for 1950/51 would be liable to lead to misunderstandings in the course of the trade year and would be unrealistic in view of the uncertainties inevitably attached to Japan's economic condition. It is, nevertheless, desirable that a fairly detailed pattern of trade should, in fact, be established for the following reasons:-

- (i) if a higher volume of trade can be agreed global targets expressed in money are on exceedingly unsatisfactory basis for commitments, however tenuous;
- (ii) it is desirable, especially if we move outside the field of essentials, that we should be able to point to particular items in respect of which the expectations entertained at the time of making the arrangement are failing to be fulfilled.

7. Convertibility obligations We do not consider that in the forthcoming negotiations we should take the initiative and suggest either that S.C.A.P. should increase his working balance or forgo entirely his convertibility rights. So long as General MacArthur remains in Japan we feel sure that he will prefer to use sterling rather than to exercise his rights of convertibility. Indeed, that convertibility will have to lapse if S.C.A.P.'s sterling is transferred to the Japanese authorities; he is at present transferring it under a Power of Attorney to the Japanese Foreign Exchange Control Board (F.E.C.B.) and if he should hand over the title of the sterling to F.E.C.B. outright we should certainly decline to allow F.E.C.B. to inherit any of S.C.A.P.'s convertibility rights. It is clear, in any case, that Washington would not be likely to concur in the complete removal of convertibility rights unless S.C.A.P. were to raise the issue on his own initiative. If, in the forthcoming negotiations, S.C.A.P. should offer to forgo convertibility we should certainly accept the offer, but we should not be prepared to make any concession in return.

Similarly if /

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Foreign Office telegram No. 306 to Tokyo

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Similarly if S.C.A.P. should be prepared to modify his convertibility rights by increasing his working balance it would be because he feels that he needs the increase, and our policy should be to accept such an offer but not to invite it. Such an offer would nevertheless be welcomed because it would contribute to greater freedom in our relations with Japan. There is, moreover, a possibly important unknown factor in all present calculations, namely what the balance of funds and commitments carried over from the present year may be. The facts will not be known until well after 30th June, and although the intention would be to **take them into** account at an early review of the operation of the new Arrangement, a larger working balance would be very desirable from our point of view, in face of the possibility that the carry-over might be against us.

8. Fundamental problems The Committee have been impressed with the difficulty of dealing with the problems of the future pattern of Japan's trade with the Sterling Area. In particular, the problem of food supplies in South-East Asia clearly has a special importance; Japan has undoubted needs, which can only be met either by dollar purchases or from the Sterling Area. The Committee are not at present aware whether, and if so how deeply, other bodies have taken up this matter, but there is no doubt that it deserves urgent attention. They are therefore considering whether any existing Committee might be invited to study the problem or whether it might be dealt with by an ad hoc Committee.

9. Incidental points We do not think we should bind ourselves to a trade arrangement on the current lines for more than one year. It may well be next year we shall want to put our trade relations with Japan on a very different basis.

10. Oil As in the current year S.C.A.P. has not made purchases of sterling crude oil which we expected him to make our negotiators should invite him to give an assurance that British companies shall have a fair chance to compete for Japan's imports of crude oil and products having regard to their traditional share of trade. (See paragraph 5 of my immediately preceding telegram).

11. Shipping /

OUTWARD TELEGRAM

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Foreign Office telegram No. 306 to Tokyo

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11. Our negotiators should endeavour to secure the insertion of a shipping clause in the Trade Arrangement for 1950/51. As from 1st April, 1950, Japanese shipping has been free to enter into international trade, and the Japanese overseas fleet, which now amounts to something under $\frac{1}{2}$ million tons, may well be approaching one million tons in a year's time. It is of vital importance to the British shipping industry that Japanese shipping should follow normal commercial practice, and that the Japanese should (a) subscribe to a policy of non-discrimination in shipping matters and (b) agree to the free transferability of freight out of Japan

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FROM FOREIGN OFFICE TO TOKYO

No. 305

D: 1.00 p.m. 27th May, 1950.

26th May, 1950.

CONFIDENTIAL

DRIVE



Addressed to Tokyo telegram No. 305 of 26th May, 1950.
Repeated for information Saving to Washington No. 2300.

Negotiations with Supreme Commander Allied Powers
(S.C.A.P.)

The Overseas Negotiations Committee's submission has now been approved by Ministers, subject to certain qualifications which are given in this telegram. We are sending you a copy of the submission by bag due to reach you on May 30th so that you have the full picture; in the meantime we give in my immediately following telegram extracts dealing with the more important points. We are also copying to you a telegram which we are sending to Commonwealth Governments.

33 / 2. Ministerial instructions are that the utmost care should be taken in presenting the problem (see paragraph 1 of my immediately following telegram) which induces us to seek some means of limiting S.C.A.P.'s purchases. Such a limitation (i.e. that S.C.A.P. must balance on an acceptable basis with participants) is contrary to our professions about the multilateral use of sterling, and to the usual practice, and might, unless we tread delicately, cause trouble with both S.C.A.P, (and Washington) and with other participants. Our case can to some extent be presented as a simple continuation of the terms of the current Trade Arrangement but you should not hesitate to explain it frankly in terms of the food problem (with its background of an indirect dollar liability). Whilst we ourselves can see no solution other than that which we suggest it should be made clear that we should be very willing to consider any other

/way out of.....

CONFIDENTIAL

Foreign Office telegram No. 305 to Tokyo

- 2 -

way out of the problem which S.C.A.P. or other participants may suggest.

3. The question of the cotton textile element in the Colonial requirements has been discussed by Ministers, but will have to be submitted to the Economic Policy Committee when the Colonial Office have obtained further information from the Colonies. The cotton textile element in the figures given in the submission amounts to £22.9 million, whilst the Board of Trade consider £18.5 million would be adequate, and the final decision may be anywhere between these two limits. Pending a decision by the Economic Policy Committee you should use a provisional figure of £20 million for this element (explaining only that it is liable to some variation in either direction) i.e. the figure for the United Kingdom and the Colonies' requirements should, for the time being, be £40,535,000 instead of £43,435,000.

4. The figure of £40,535,000 must also be regarded as provisional because in view of the position of South Africa the Board of Trade have made a suggestion, which is still being considered, that the United Kingdom portion should be increased by £1.5 million to cover imports of Japanese cloth for processing and re-export to South Africa and Southern Rhodesia. As South Africa does not licence imports from Japan, and does not propose that she should, the system of "linked" licences whereby a participant may have its Japanese cloth processed in the United Kingdom without the import counting against the United Kingdom "ration", cannot be used.

5. Ministers do not consider that the submission makes as much of our case on oil as could and should be made. They consider that without running into difficulties about itemisation it should be possible for you at least to argue strongly for the inclusion of oil in the estimates of what S.C.A.P. would take from us. If you could extract from S.C.A.P. an assurance that he would buy a minimum amount of oil (Lingeman is already briefed on available supplies) so much the better.

/6. You will have...

OUTWARD TELEGRAM

CONFIDENTIAL

Foreign Office telegram No. 305 to Tokyo

- 3 -

6. You will have seen my telegram No. 296 giving the South African statement about the conditions on which they would be able to participate. As the South African Government cannot undertake to observe any given allocation of purchasing power they obviously cannot be participants in the full sense of that term as hitherto employed. A good deal depends, however, on the views taken by other participants and, of course, by S.C.A.P. and we think that it would be useful, in any case, for the Union's senior Trade Commissioner in Singapore to be associated with the discussions, even if the final decision is that South Africa cannot be even a formal participant in the Trade Arrangement. We are therefore welcoming the suggestion of the South African Government that Mr. Jensen should join you in Tokyo, and we should be glad if you and the representatives of the other participants would discuss the problem with him with a view to propounding if possible an agreed and practicable solution.

7. You will see from the telegram to Commonwealth Governments that we are expressing the hope that they will be able to inform their representatives of their general concurrence with the line which we are proposing to take, and to authorise them to agree with you in fixing a date for the start of the negotiations as quickly as possible.

&&&

OUTWARD TELEGRAM.

FROM THE SECRETARY OF STATE FOR THE COLONIES.

315

Code
Circular

TO (1) BAHAMAS, (2) BARBADOS, (3) BERMUDA, (4) BRITISH
HONDURAS, (5) CYPRUS, (6) FALKLAND ISLANDS, (7) FIJI, (8) WESTERN PACIFIC, (9) GIBRALTAR, (10) LEEWARD ISLANDS, (11) SOMALILAND PROTECTORATE, (12) MALTA, (13) SEYCHELLES, (14) WINDWARD ISLANDS.

133a 212 110. 169a 206 253 164 188 66.

Sent 26th May, 1950 21.00 hrs.

PRIORITY

Circular unnumbered 26th May.

Trade arrangements with Japan, 1950/51.

In connection with above, I should be grateful if you would telegraph as quickly as possible estimate of total import requirements of textiles by value and yardage, in period July 1950 to June 1951, and of amounts which you expect to receive from various separate sources including the U.K. I am sending by airmail circular telegram No. 18 explaining why these figures are necessary in connection with Japanese trade negotiations.

(To Fiji) Please pass copy to High Commissioner, Western Pacific.

Copies sent to:-

Treasury
Board of Trade
" " "

- Mr. K. Anderson
- Mr. A. Percival
- Mr. S. Morris

Draft
TELEGRAM/ * * ~~SAVINGRAM~~

* The word Priority may be entered here, if necessary.

File No.

315

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21-00 hours.

26/5/50 194

Circular unnumbered
26th May
Confidential

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and Personal.

Priority:—

Nil.

✓ Reply urgently required.

Important.

Immediate. Priority

Most Immediate.

To be transmitted:—

In Clear

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Cypher

Mr. Monro

Mr. Atner

Mr. _____

Mr. _____

Sir _____

Permt. U.S. of S.

Parly. U.S. of S.

S. of S.

As attached list

Planton to go to be checked

Trade arrangements with Japan, 1950/51

In connection with above, I should be
grateful if you would telegraph as quickly
as possible estimate of total import require-
ments of textiles, by value ^{and yardage}, in period ^{to June 1951} July
1950/51, and of amounts which you expect to
receive from various separate sources including
the U.K. I am sending by ^{airmail} ~~priority~~ savingram
^{telegram no. 13} circular explaining ~~why~~ these figures are
necessary in connection with Japanese trade
negotiations.

Fiji. Please pass copy to High Commissioner
Western Pacific



Distribution:—

Copy as per dft-
above. ✓

Further action:—

OUTWARD TELEGRAM.

FROM THE SECRETARY OF STATE FOR THE COLONIES.

314

Code
Circular

TO ALL COLONIES ETC.

By Priority Savingram to:- BAHAMAS, BARBADOS, BERMUDA,
BRITISH HONDURAS, CYPRUS,
FALKLAND ISLANDS, FIJI,
WESTERN PACIFIC, GIBRALTAR,
LEEWARD ISLANDS, SOMALILAND
PROTECTORATE, MALTA, SEYCHELLES,
WINDWARD ISLANDS.

Sent 26th May, 1950 20.00 hrs.

PRIORITY REPLY URGENTLY REQUIRED

Circular 18 Confidential

Trade arrangements with Japan, 1950/51.

Figures given by Colonial Government of estimated essential requirements from Japan in 1950/51 have been assembled with those of United Kingdom and other participants in the sterling area Trade Arrangements with SCAP. Discussions have taken place here, regarding the desirable shape of arrangements to emerge from forthcoming talks with SCAP and regarding briefing of H.M.G.'s representative at these talks.

2. General position is that nearly all sterling area countries show increased requirements for next trade year. Colonial essential textile requirements, which form a large proportion of the whole show an increase of £3.5 million over estimates for 1949/50 (imports direct from Japan).

3. It may be that the direct risk of having to pay dollars to SCAP if trade balance is adverse will be less next year. On the other hand, if sterling area buys much more heavily from Japan, resulting increase in SCAP's purchasing power for sterling area goods is likely to be shown in heavier demands for such scarce commodities as rice. Thus, effect of heavier buying might be that SCAP, whose own dollar resources have been reduced, would purchase heavily scarce raw materials at present available to sterling area, with result that sterling area countries might either go short or have to spend dollars themselves.

4. In these circumstances it may be necessary for overall requirements of sterling area to be somewhat scaled down, and I am afraid that, against this possible eventuality, I must ask you to let me have information regarding basis on which your estimate of essential textile requirements was calculated. In particular, please telegraph as soon as possible your estimate of total textile import requirements for period July 1950 to June 1951 and of amounts which you expect to come in from various separate sources including the United Kingdom. Figures should be in value and yardage. Please state next preferred source if quantity estimated from Japan had to be reduced, and reason why this would be less advantageous than Japan.

5. Matter is urgent as negotiations with SCAP are about to start, and it is necessary for me to have best possible picture of degree of essentiality of Colonial requirements, so that quick decision can be

/taken

taken on figures to be tabled.

(Despatch for airmail action)

Copies sent to:-

Treasury
Board of Trade
" " "

- Mr. Anderson
- Mr. Percival
- Mr. S. Morris

CIRCULAR SAVING

Draft

TELEGRAM/ *

* SAVINGRAM

File No.

* The word Priority may be entered here, if necessary.

To:—

ALL COLONIAL ETC. GOVERNORS (BUT TO GO
AS PRIORITY SAVINGRAM TO THE FOLLOWING:—

GIBRALTAR, SEYCHELLES, ~~ST. HELENA~~, FALKLANDS, ~~20.00~~ hours.

Repeated to:— ~~LEEWARD & WINDWARD ISLANDS~~, BARBADOS,

~~BRITISH GUIANA~~, ~~BRITISH HONDURAS~~, ~~26/5/50~~ 194
~~Bermuda, Bahamas, Cyprus, Malta, Somaliland,~~
~~Fiji & W. Pacific).~~

Priority:—

Nil.

Reply urgently required.

Important.

Immediate.

Most Immediate.

To be transmitted:—

In Clear

Code

Cypher

No.

Restricted.

Confidential. ✓

Secret.

Top Secret
and Personal.

C.O.

Mr. W. A. P. P. P.

Mr.

Mr.

Mr.

Sir

Permt. U.S. of S.

Parly. U.S. of S.

S. of S.

RECEIVED

27 MAY 1950

In Tel. C.D.

Trade arrangements with Japan, 1950/51

~~We have been given by Colonial Governments~~

Figures of estimated essential requirements from Japan in 1950/51. These figures have been assembled ~~here~~ with those of U.K. and other participants in the sterling area Trade Arrangements with SCAP. ~~We have been taking part in prolonged Discussions with Departments~~ ^{HAVE} ~~been taken place~~ here, regarding the desirable shape of arrangements to emerge from forthcoming talks with SCAP and regarding briefing of H.M.G.'s representative at these talks.

2. General position is that nearly all sterling area countries show increased requirements for next trade year. ~~This is especially true of some independent Commonwealth countries.~~

Colonial essential textile requirements, which form a large proportion of the whole ~~also~~ show an increase of £3.5 million over estimates for 1949/50 (imports direct from Japan).

3. It may be that the direct risk of having to pay dollars to SCAP if trade balance is adverse will be much less next year. On the other hand, if sterling area buys much more heavily from Japan, resulting increase in

/SCAP

Distribution:—

Copy 25

Mr. K. Anderson, T'y

Mr. A. Perswell,

B.O.T

Despatch & for airmail action

Further action:—

SCAP's purchasing power for sterling area goods is likely to be shown in heavier demands for such scarce commodities as rice. Thus, effect of heavier buying might be that SCAP, whose own dollar resources have been reduced, would purchase heavily scarce raw materials at present available to sterling area, with result that sterling area countries might either go short or have to spend dollars themselves.

4. In these circumstances it may be necessary for overall requirements of sterling area to be somewhat scaled down, and I am afraid that, against this possible eventuality, I must ask you to let me have information regarding basis on which your estimate of essential textile requirements was calculated. In particular, please telegraph as soon as possible your estimate of total textile import requirements for period July 1950 to June 1951 and of amounts ~~in value~~ which you expect to come in from various separate sources including the U.K. Please state next preferred source if quantity estimated from Japan had to be reduced, and reason why this would be less advantageous than Japan.

Before presenting figures to SCAP which might prove embarrassing for reasons stated it is desired to get a picture of degree of essentiality of

Figures should be in value and yardage

5. Matter is urgent ^{as} negotiations with SCAP are about to start, and it is necessary for me to have best possible picture of degree of essentiality of Colonial requirements. It ~~would clearly be desirable~~ so that quick decision can be taken on figures to be ^{TABLED} ~~presented~~ to SCAP.

Inward Telegram to Commonwealth Relations Office

16996/77

313

Mr. Rosser

TELETYPE
30 MAY 1950
REGISTRY

ALLOTTED TO ECONOMIC IV DEPT.
EN CLAIR

FROM: U.K. INFORMATION OFFICE CANBERRA

D. Canberra 17.45 hours 25th May, 1950.
R. 12.59 hours 25th " "

PRIORITY
No. 373 PRESSE

Questioned in House of Representatives on 17th May whether since Japan was included indirectly in dollar bloc he had considered possibility of trading Australian flour for Japanese galvanised iron, Minister for Commerce and Agriculture replied in following terms:

Japan could trade in dollar and sterling since internationally it held, so to speak, a bicurrency status. An overall balanced trading arrangement had existed for several years between sterling bloc and Japan. Negotiations were taking place for a continuing trade agreement under which sterling credits might be made available to Japan and reciprocally Japanese credits to sterling area countries, including Australia. Australia did not engage in particular commodity barter transactions with Japan but he was confident that current negotiations would establish conditions under which Australia would be enabled to purchase whatever goods she might require that were available in Japan.

Copy to:- D.II.

Treasury

Board of Trade

Foreign Office

Colonial Office

M/Food

Mr. D.O. Henley

Mr. J.H. Martin (4)

Miss S.D. Wingate

Cablegram Section (10)

Mr. F.H. Crowther

Mr. D.H. Rosser

Mr. Raeburn

Comms. Divn. (3)

16996(77)
312

Telegrams marked CYPHER (TYPEX) must first be paraphrased if communicated to persons outside British or United States Government Services ; telegrams marked CYPHER (SIMPLEX) should be paraphrased where possible.

Any telegraphic retransmission of a cypher telegram marked other than O.T.P. must be in a One Time System.

Inward Telegram to Commonwealth Relations Office

ALLOTTED TO ECONOMIC IV DEPT.
CYPHER (SIMPLEX)

FROM: U.K. HIGH COMMISSIONER IN AUSTRALIA

D. Canberra 17.40 hours 25th May, 1950.
R. 12.56 hours 25th " "

PRIORITY
No. 372 RESTRICTED.

SUPPLIES
26 MAY 1950
REGISTRY

303 Your telegram No. 506.

AUSTRALIAN TRADE WITH JAPAN

313 My immediately following Presse telegram contains full summary of reply by Minister for Commerce and Agriculture referred to in your telegram under reference. From this it will be clear that Minister did not, repeat not, give impression that Australia was negotiating some special trade arrangement with Japan distinct from Commonwealth trade arrangement.

Copy to:- D.II.

Treasury

Board of Trade

Foreign Office
Colonial Office
M/Food

Mr. F. Milner
Mr. D.O. Henley
Mr. J.H. Martin (4)
Miss S.D. Wingate
Cablegram Section (10)
Mr. F.H. Crowther
Mr. D.H. Rosser
Mr. Raeburn
Comms. Divn. (3)



Treasury Chambers,

Great George Street,

S.W.1.

24th May, 1950.

Dear Gorell Barnes,

I enclose a quick note of this evening's meeting about Japanese textiles. I should be grateful if you would let me know urgently if you have any quarrel, particularly with the conclusions.

I am sending a similar letter to Percival.

Yours ever,

H. Anderson.

W. L. Gorell Barnes, Esq., C.M.G.,
Colonial Office.

*Agreed by telephone
as amended to
Mr. Gorell Barnes
W. H. M.*

NOTE OF DISCUSSION BETWEEN MINISTER OF STATE (S.A.)
PRESIDENT OF THE BOARD OF TRADE, AND MINISTER OF
STATE FOR THE COLONIES ON 24TH MAY, 1950

Colonial requirements of Japanese textiles in 1950/51

The Minister of State for the Colonies put forward the following main points:-

- (a) it is politically most important that the Colonies should not feel that their interests are being subordinated to those of Lancashire;
- (b) the Colonies are already subject to severe dollar restrictions, and these are accepted as necessary on balance of payments grounds. A cut in the requirements from Japan for similar reasons could, no doubt, be justified if the necessity had been proved and the consequences were fairly shared by other sterling area countries. Such a cut would not, however, be justified on other grounds;
- (c) the Colonial administrations are fully acquainted with the criteria of essentiality and experienced in their application;
- (d) the main switch in Colonial imports in the coming year is expected to be from Germany and India to Japan;
- (e) Lancashire has, in fact, been improving its market in the Colonies. It is thought that they will take about the same amount from Lancashire next year as this year, and that Lancashire could not, in fact, supply more. ~~The Colonial Office have, however, no programme.~~

The President of the Board of Trade took the following position:-

- (a) the problem is of vital psychological importance for Lancashire, whose confidence in the Government would be undermined if it were believed that the Colonial market was being exposed to unrestrained Japanese competition;
- (b) he could not, in any event, agree to a higher figure than £18.5 m. without full discussion in E.P.C.;
- (c) it was impossible to believe that a proper criterion of need was being observed by the Colonies in the absence of any indication that they had first taken fully into account prospective supplies from other sources.

The Minister of State (S.A.) emphasised that the E.P.C. could not usefully be invited to consider the problem without knowing:-

- (a) the Colonial requirements from the U.K.;
- (b) the ability of the U.K. to make supplies available.

It seemed even possible that if such ^{particulars} ~~information~~ were available it would be found that no serious immediate problem arose.

After discussion it was agreed that

1. the Colonial Office would immediately telegraph to the principal Colonies concerned asking for some justification of the essentiality of their figures, and in particular for estimates of

/their

But whether
such details
were or not at the
about actual
imports
in 1949 &
1949 by
some, who
had
not hitherto
been asked
to supply
information
regarding
their total
requirements
for
1950/51
and the
amount
they
expected
to
obtain
from
various
other
sources
Japan

their total needs and their expectations of supplies from the various sources other than Japan;

2. instructions could now be sent to our negotiators in Tokyo which, so far as the Colonial textile figure is concerned, would require them to present a provisional figure of £20 million to the other parties at this stage. For their own information it would be explained that this figure was subject to variation within the limits of £18.5 million - £22.9 million in the light of further discussion here;

3. the rights of the President of the Board of Trade to insist on a figure not exceeding £18.5 million, and of the Minister of State for the Colonies to insist that the figure should be £22.9 million were fully reserved.

Sanctuary Buildings,
Great Smith Street,
S.W.1.

24th May, 1950.

16996/77/50.

PERSONAL

*Not sent.
Mr. Small Bamber
Shake & Mr. Flett
W. A. H.*

My dear Martin,

Thank you for your letter (MTF 1320) of the 20th May about Japan.

I agree that, if there is going to be any difficulty in fitting all the figures of estimated requirements from Japan into the total amount which we think ought to be spent there next year, the obvious thing to do is to approach some of the independent Commonwealth countries to get them to have another look at their figures. It seems to me pretty obvious that, as they have no doubt regarded Japan as getting "softer", they have been estimating their requirements for 1950/51 rather liberally. I naturally agree with your thought that if they have to be approached it should be put to them that they ought to accept an export surplus with Japan so as to enable the Colonies, which produce a dollar surplus, to get their essential textiles and other goods.

What I am not quite certain about is whether it is ever going to be possible to limit SCAP's purchases of rice from Burma and Siam through the mechanism of the trade agreement. However, it is certainly an important Colonial interest that SCAP's raids on South East Asia rice should be restricted as much as possible, and we are glad to co-operate in anything which may help towards this objective.

We did go fairly thoroughly into the Colonial estimates of textile requirements in an O.N.C. Working Party, where everybody was satisfied, except the Board of Trade, that all the figures were of a reasonable order except possibly in West Africa, where it was suggested that the conversion from yardage into value might have been done at too high an average figure of price. But I realise that, if we are going to have to approach the Commonwealth countries as you envisage, we want to have all the ammunition we can to defend

M.T. Flett, Esq.

defend the Colonial figures. I should be quite prepared to send a personal priority savingram to the main Colonies concerned along the lines of the draft attached. Will you let me know what you think about this?

Yours sincerely,

(W.L. GORELL BARNES)

TO:

1. Governor, Singapore.
2. Governor, Gold Coast.
3. Governor, Kenya.
4. Governor, Tanganyika.
5. Governor, Aden.

SECRET.

Japanese Trade Arrangements.

Following from Gorell Barnes for

1. Gilmour.
2. Vidal.
3. Matthews.
4. Surridge.
5. Goode.

Begins.

We have been given by Colonial Governments figures of estimated essential requirements from Japan in 1950/51. These figures have been assembled here with those of U.K. and other participants in the sterling area Trade Arrangements with SCAP. We have been taking part in prolonged discussions with Departments here, regarding the desirable shape of arrangements to emerge from forthcoming talks with SCAP and regarding briefing of H.M.G.'s representative at these talks.

2. General position is that nearly all sterling area countries show increased requirements for next trade year. This is especially true of some independent Commonwealth countries. Colonial essential textile requirements, which form a large proportion of the whole, ^{also} show an increase of £3.8 million over estimates for 1949/50 (imports direct from Japan).

3. It ^{may be} ~~is true~~ that the direct risk of having to pay dollars to SCAP if trade balance is adverse will be much less next year. On the other hand, if sterling area buys much more heavily from Japan, resulting

resulting increase in SCAP's purchasing power for sterling area goods is likely to be shown in heavier demands for such scarce commodities as rice. Thus, effect of heavier buying might be that SCAP, whose own dollar resources have been reduced, would ^{purchase} ~~pay~~ heavily ~~into~~ scarce raw materials at present available to sterling area, with result that sterling area countries might either go short or have to spend dollars themselves.

4. With this general background it is felt here that it may be necessary to ask some of the Commonwealth countries to scale down their requirements from Japan, if necessary, to avoid above risks. If this were done, we should consider putting to them that they should be prepared to accept export surpluses in trade with Japan so as to enable Colonies to get their essential Japanese requirements.

5. As far as we have been able to see, estimates of Colonial essential textile requirements from Japan in 1950/51 are at about level which we would expect in the light of factors such as present high price of German textiles. Clearly, however, if above course is taken with Commonwealth Governments, we want to be absolutely sure that Colonial textile figure is as watertight as possible. For example, it would be awkward if, after putting up a fight to get the full requirement covered by the trade arrangements, it was found that Colonial requirements in the event were a good deal smaller. I should be grateful if you could let me have a telegram (a) saying whether, in the light of the above general background, you consider that your estimate of textiles from Japan in 1950/51 should stand unamended as representing best estimate of quantity required to keep the territory supplied at right levels of price; (b) giving some brief points to explain reasons for any increase over last year's requirements from Japan. Ends.

4. In these circumstances it may be necessary for overall requirements of sterling area to be somewhat scaled down; and I am afraid that, against this possible eventuality, I must ask you to let me have information regarding basis on which your estimate of essential textile requirements was calculated. In particular, ^{as soon as} please telegraph your estimate of total textile requirements for ^{period July 1950 to June 1951} ~~1950/51~~ ^{in value} and of amounts which you expect to come in from various separate sources including the U.K. Please state

~~which would be next preferred source if~~
quantity determined from Japan had to be reduced, and reason why this would be less advantageous than Japan.

5.

See.

important

C. O.

Mr. Morris 22/5

Mr. Gorell Barnes 23/5

Mr.

Mr.

Mr.

Permt U.S. of S.

Parly. U.S. S.

Minister of State

Secretary of State

Your Reference

DRAFT

LETTER

PERSONAL

M.T.FLETT, ESQ.,

TREASURY

My dear Martin,

Thank you for your letter (MTF 1320) of the 20th May about Japan.

I agree that if there is going to be any difficulty in fitting all the figures of estimated requirements from Japan into the total amount which we think ought to be spent there next year, the obvious thing to do is to approach some of the independent Commonwealth countries to get them to have another look at their figures. It seems to me pretty obvious that, as they have no doubt regarded Japan as getting "softer", they have been estimating their requirements for 1950/51 rather liberally. I naturally agree with your thought that if they have to be approached it should be put to them that they ought to accept an export surplus with Japan so as to enable the Colonies, which produce a dollar surplus, to get their essential textiles and other goods.

①
I am not quite certain about is whether it is ever going to be possible to limit SCAP's purchases of rice from Burma and Siam through the mechanism of the trade

/agreement

FURTHER ACTION

agreement. However, it is certainly an important *Colmai*
interest ^{that} ~~as~~ SCAP's raids on S.E. Asia rice should
be restricted as much as possible, ^{and} we are glad
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an O.N.C. Working Party, where everybody was
satisfied, except the Board of Trade, that all
the figures were of a reasonable order except
possibly in West Africa, where it was suggested
that the conversion from yardage into value
might have been done at too high an average
figure of price. But I realise that if we are
going to have to approach the Commonwealth
countries as you envisage, we want to have all
the ammunition we can to defend the Colonial
figures. I should be quite prepared to send
a personal priority savingram to the main
Colonies concerned along the lines of the
draft attached. Will you let me know
what you think about this?

Yours sincerely,

16996/77

C. O.

- Mr. Morris 22/5
- Mr. Gorell Barnes
- Mr.
- Mr.
- Mr.

- Permt. U.S. of S.
- Parly. U.S. S.
- Minister of State
- Secretary of State

for Mr. Phil's convenience

Your Reference

DRAFT. PRIORITY SAVINGRAM SECRET

- 1. Governor, Singapore
- 2. Governor, Gold Coast
- 3. Governor, Kenya
- 4. Governor, Tanganyika
- 5. Governor, Jamaica
- 6. Governor, Trinidad
- 7. Governor, Aden

~~Imports from Japanese~~ Trade arrangements.

Following from Gorell Barnes for

- 1. Gilmour
- 2. Vidal
- 3. Mathews
- 4. Surridge
- 5. MacGillivray
- 6. Renison
- 7. Good

Begins.

We have been given by Colonial Governments figures of estimated essential requirements from Japan in 1950/51. These figures have been assembled ^{here} with those of U.K. and other participants in ^{the} sterling area Trade Arrangements with SCAP. We have been taking part in ^{prolonged} ~~sterling~~ discussions with Departments here, regarding the desirable shape of arrangements to emerge from forthcoming talks with SCAP, and regarding briefing of H.M.G.'s representative at these talks.

2. General position is that nearly all sterling area countries show

/increased

FURTHER ACTION.

Copy to be sent airmail by Mr. Rosser to Mr. Cox (on leaving Germany) as regards Nigeria.

done 31st May

increased requirements for next trade year.
This is especially true of some ^{independent} Commonwealth
countries. Colonial essential ^{textile} requirements,
which form a large proportion of the whole,
show an increase of £ 3.8 million over estimates
for 1949/50. ~~Within this the textile figure~~
~~has gone up by 8~~ (imports derived from Japan).

3. It is true that the direct risk of having
to pay dollars to SCAP if trade balance is
adverse will be much less next year. On the
other hand, if sterling area buys much more
heavily from Japan, resulting increase in SCAP's
purchasing power for sterling area goods is likely
to be shown in heavier demands for such scarce
commodities as rice. Thus, effect of heavier
buying might be that SCAP, whose own dollar
resources have been reduced would raid heavily
into scarce raw materials at present available
to sterling area, with result that sterling
area countries might either go short or have to
spend dollars themselves.

4. With this general background it is felt
here that it may be necessary to ask some of
the Commonwealth countries to scale down their
requirements from Japan, if necessary, to avoid
above risks. If this were done, we should con-
sider putting to them that they should be pre-
pared to accept export surpluses in trade with
Japan so as to enable Colonies to get their
essential Japanese requirements ~~of textiles~~. (5)

5. As far as we have been able to see,
estimates of Colonial essential textile require-
ments from Japan in 1950/51 are at about level
which we would expect in the light of factors
such as present high price of German textiles.
Clearly, however, if above course is taken with
Commonwealth Governments, we want to be absolutely

/sure

sure that Colonial textile figure is as watertight as possible. For example, it would be awkward if after putting up a fight to get the full requirement covered by the trade arrangements, it was found that Colonial requirements in the event were a good deal smaller. I should be grateful if you could let me have a telegram^(a) saying whether, in the light of the above general background, you consider that the your estimate of textiles from Japan in 1950/51 should ~~still~~ stand unamended as representing best estimate of quantity required to keep the territory supplied at right levels of price; (b)

giving some brief points to explain reasons for any increase over last year's requirements from Japan. Ends.

Morris

Gorell Barnes

PRIORITY SAVINGRAM

SECRET

1. Governor, Singapore
2. Governor, Gold Coast
3. Governor, Kenya
4. Governor, Tanganyika
5. Governor, Jamaica
6. Governor, Trinidad
7. Governor, Aden

~~Imports from Japan~~ *trade arrangements.*

Following from Gorell Barnes for

1. Gilmour
2. Vidal
3. Mathews
4. Surridge
5. MacGillivray
6. Renison
7. Good

Begins.

We have been given by Colonial Governments figures of estimated essential requirements from Japan in 1950/51. These figures have been assembled ^{here} with those of U.K. and other participants in sterling area trade arrangement with SCAP. We have been taking part in ^{prolonged} ~~sterling~~ discussions with Departments here, regarding the desirable shape of arrangements to emerge from forthcoming talks with SCAP, and regarding briefing of H.M.G.'s representative at these talks.

2. General position is that nearly all sterling area countries show figure
/increased

increased requirements for next trade year.

This is ^{independent} especially true of some Commonwealth countries. Colonial essential ^{basic} requirements, which form a large proportion of the whole, show an increase of £ 3.8 million over estimates for 1949/50. ~~Within this the textile figure has gone up by £~~ (imports ~~desire~~ from Japan).

3. It is true that the direct risk of having to pay dollars to SCAP if trade balance is adverse will be much less next year. On the other hand, if sterling area buys much more heavily from Japan, resulting increase in SCAP's purchasing power for sterling area goods is likely to be shown in heavier demands for such scarce commodities as rice. Thus, effect of heavier buying might be that SCAP, whose own dollar resources have been reduced would raid heavily into scarce raw materials at present available to sterling area, with result that sterling area countries might either go short or have to spend dollars themselves.

4. With this general background it is felt here that it may be necessary to ask some of the Commonwealth countries to scale down their requirements from Japan if necessary, to avoid a above risks. If this were done, we should consider putting to them that they should be prepared to accept export surpluses in trade with Japan so as to enable Colonies to get their essential Japanese requirements ~~of textiles~~.

5. As far as we have been able to see, estimates of Colonial essential textile requirements from Japan in 1950/51 are at about level which we would expect in the light of factors such as present high price of German textiles. Clearly, however, if above course is taken with Commonwealth Governments, we want to be absolutely

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giving some brief points to explain reasons for any increase over last year's requirements from Japan. Ends.

Cypher/OTP.

CAMER/REMAC DISTRIBUTION.

16 946 67

310

FROM TOKYO TO FOREIGN OFFICE.

Sir A. Gascoigne.

No. 109 Remac.

24th May, 1950.

D. 8.45 a.m. 24th May, 1950.

R. 9.55 a.m. 24th May, 1950.

PRIORITY.

CONFIDENTIAL.

**SUPPLIES
25 MAY 1950
REGISTRY**

302 My telegram No.337 Drive.

K.M.A. Coal.

We shall be grateful for a quick reply especially if (as I suppose) proposal is a non-starter, in order that Pryor should not waste time and effort in promoting idea with S.C.A.P. and Japanese authorities and perhaps raising false hopes.

666666

16996/77
309

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Any telegraphic retransmission of a cypher telegram marked other than O.T.P. must be in a One Time System.

Inward Telegram to Commonwealth Relations Office

ALLOTTED TO ECONOMIC (IV) DEPT.

CYPHER (SIMPLEX)

FROM: U.K. HIGH COMMISSIONER IN CEYLON

D. Colombo, 17.20 hrs., 24th May, 1950
R. 14.55 hrs., 24th May, 1950

PRIORITY

No. 369



281
H J Your telegram 448.

JAPANESE TRADE AGREEMENT

Ceylon Ministry of Commerce and Trade which proposes sending delegation to Tokyo is most anxious to know when negotiations for renewal of agreement commence. Your telegram No. 61 dated 12th May (to Ministry of External Affairs) indicated that postponement for ten days from fifteenth May had been requested and shall be grateful, therefore, to know date on which negotiations opened or are expected to open.

Copy to: D.II.

Treasury

B/Trade

Foreign Office
Colonial Office

Mr. F. Milner
Mr. D.O. Henley
Mr. J.H. Martin (4)
Miss S.D. Wingate
Cablegram Section (10)
Mr. F.H. Crowther
Mr. D.H. Rosser

OUTWARD TELEGRAM

Cypher/OTP

308
16946/77
O.N.C. DISTRIBUTION

F.

Confidential.

FROM FOREIGN OFFICE TO TOKYO



No. 296

23rd May, 1950.

D. 6.25 p.m. 23rd May, 1950.

CONFIDENTIAL

DRIVE

256 Your telegram No. 290 [of 2nd May: Japanese Trade with South Africa].

Representations made at South Africa House have elicited the following reply.

[Begins].

(1) The Union Government attach great importance to the maintenance of multilateral trade and are most anxious to avoid further departures from this principle by licensing imports from individual countries.

(2) They have again reviewed trade prospects with Japan and are satisfied that the Union's balance with Japan will not be as unfavourable as my letter under reference may seem to suggest. During 1937 the Union's total imports from Japan reached a maximum for the period 1935 to 1939 amounting to approximately £3,869,000 and of this amount the textile items which have now been decontrolled represent £2, 164, 000.

(3) In regard to paragraph 2 (b) of the memorandum prepared as a result of the discussion referred to above, it is assumed that the reference to "relevantly inessential goods" refers to permits issued for consumer goods. It must be pointed out, however, that these goods are not inessential and that permits are issued on a very limited scale only, and that moreover, it is not expected that Japan will capture any substantial part of this trade.

(4) Legislation will

CONFIDENTIAL

Foreign Office telegram No. 296 to Tokyo

- 2 -

(4) Legislation will be introduced during the current session of the Union Parliament to empower the Government to increase by 100% the maximum rates of duty applicable to Japan and other countries not entitled to most-favoured-nation treatment whenever there is evidence that goods from such countries are being imported at prices which threaten to disrupt local industries.

(5) In view of the factors mentioned under paragraphs 2, 3 and 4 above, it is considered most unlikely that the Union will be flooded with Japanese goods. If, as it is hoped, Japan will import South African wool on a substantial scale, the Union's unfavourable balance with that country should not be excessive.

(6) It must be pointed out, however, that the Union is experiencing increasing difficulties in obtaining supplies of textiles and other important goods from the United Kingdom and other soft currency countries and unless delivery dates improve, importers would be compelled to look to Japan for supplies. This would, of course, materially affect the Union's balance of payments with Japan.

(7) If other sterling area participants are prepared to accept the foregoing position the Union would be prepared to participate in the new trade arrangement.

(8) It is the intention of the Union Government to instruct Mr. H.O.V. Jensen, the Union's Senior Trade Commissioner in Singapore, to attend the negotiations with Supreme Commander Allied Powers (S.C.A.P.) as the Union's representative. While he will be briefed to the fullest extent possible, the Union Government would appreciate it if the United Kingdom representative could be requested to assist him by providing such information as he may require.

[Ends].

EEEEEE

23/5/50

EXTRACT FROM OFFICIAL REPORT OF

16996/77
307

Japan (Trade Talks)

76. **Mr. Teeling** asked the President of the Board of Trade to what extent the trade agreement talks, which are now commencing between this country and Japan to cover the whole Commonwealth, include the negotiations for a continuous Australian-Japanese trade agreement also taking place; and whether he will make a statement.

Mr. Bottomley : The Commonwealth countries which are about to negotiate jointly a renewal of the Sterling Area-Japan Trade Arrangement are the following: the United Kingdom and Colonies, Australia, New Zealand, South Africa, India, Ceylon. I am not aware of any other Australian-Japanese trade negotiations.

Mr. Teeling : Is the hon. Gentleman aware that it has recently appeared in the Press that a Minister in the Australian Parliament has made that statement?

Mr. Bottomley : Yes, there was some wordy Press statement which we have failed to understand. I have sent to Canberra for an explanation.

Mr. Teeling : When the hon. Gentleman gets a reply, will the House be informed?

Mr. Bottomley indicated assent.



306

*
COMPARATIVE PRICES OF U.K. AND JAPANESE TEXTILES

	<u>U.K.</u>	<u>Japan</u>
	(pence per yard)	(pence per yard)
Grey cloth		
(Trade No's of tyhs)		
2003	17½	13
2023	19	14
2043	13½	9.5
2011	15½	11
2041	14½	11
2053	20½	14
Bleached		
2003	20.5	14
2023	22½	15
Dyed		
2011	18	15
2041	16½	13
2053	23.85	17
Print		
2003	22.125	15
2011	20.125	14
2043	18.125	13
Rayon		
	18	12
	22	14
	19	12.7
	14.76	9.5
	15	12

* F.o.b.

Recd. by
Mr. L. Orell-Barnes

Each returned

all min. of 25/5

Minister of State.

Japanese Textiles.

1. As promised at our discussion this afternoon on the above subject, I attach a paper which gives the latest factual information about Colonial dollar imports. I would draw your particular attention to the table in paragraph 9 which I have flagged X. This shows that the dollar expenditure on imports of all Colonies had, by 1949, been reduced to 63% of the 1947 figure and is expected in 1950 to be reduced further to 53%. If Malaya be excluded, then the corresponding figures for all other Colonies are 60% for 1949 and 49% for 1950.

2. This is a remarkable achievement which is relevant to the present discussion for the following two reasons:-

(a) A certain amount of the reduction has been achieved by the virtual elimination of imports of dollar textiles. Dollar textiles being so much cheaper than United Kingdom textiles, this would not have been possible but for the possibility of switching imports to Japan. If Japanese imports are restricted further than the balance of payments situation necessitates, it will certainly be necessary to let up a bit on dollar textile imports.

(b) Our justification for imposing restrictions on hard currency imports is that this is necessary to maintain and improve the strength of sterling, which is as important to the Colonies as members of the sterling area as it is to any other member of the sterling area, including the United Kingdom. There is a tendency for the public in the Colonies to criticise us on the ground that we are forcing Colonial peoples, with their low standards of living, to buy expensive British goods. At present we have the unanswerable reply that we are not making the Colonies buy British goods, and that all we are doing is to ask them to play their part in protecting the position of sterling by refraining from buying unnecessarily goods from countries with which the sterling area as a whole is in balance of payments difficulties. If, in order to protect the Colonial market for Lancashire, we once called upon Colonies to restrict imports from Japan (or indeed from any other source) more than is necessary for sterling area balance of payments reasons, then criticism on the lines referred to above would be valid and our whole moral case would be undermined.

3. Mr. Morris is getting out the figures for which you asked, showing Japanese and Lancashire prices for various types of cotton textiles of comparable quality, and will send you a note on this later this afternoon.

Wes.
23rd May, 1950.

16996/77

303

Telegrams marked CYPHER (TYPEX) must first be paraphrased if communicated to persons outside British or United States Government Services; telegrams marked CYPHER (SIMPLEX) should be paraphrased where possible.

Any telegraphic retransmission of a cypher telegram marked other than O.T.P. must be in a One Time System.

Outward Telegram from Commonwealth Relations Office

ECONOMIC (IV) DEPARTMENT

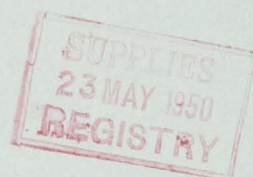
CYPHER (PUBLEX)

TO: U.K. HIGH COMMISSIONER IN AUSTRALIA

(SENT: 17.55 hours, 22nd May, 1950)

PRIORITY

No. 506.



TRADE WITH JAPAN

The "Star" of 18th May carries following report:
"Questioned in the Australian House of Representatives about a projected deal for bartering Australian flour for Japanese galvanised iron sheeting, Mr. J. McEwen, Minister for Commerce, said that a continuous Australian-Japanese agreement was being negotiated, BUP reports.

Under this, he said, sterling credits for Japan would be provided in Britain and Japanese credits established in Australia."

2. A Parliamentary Question which clearly refers to this report has been put down in following terms: "To ask the President of the Board of Trade, to what extent the trade agreement talks, which are now commencing between this country and Japan to cover the whole Commonwealth, include the negotiations for a continuous Australian-Japanese trade agreement also taking place; and whether he will make a statement".

3. Grateful to learn urgently whether Mr. McEwen's answer referred to some special arrangement between Australia and Japan distinct from Commonwealth Trade Arrangement.

Copy to:-

D. II.

Treasury

B/Trade

Foreign Office

Colonial Office

M/Food

Mr. F. Milner

Mr. D. O. Henley

Mr. J. H. Martin (4)

Miss S. D. Wingate

Cablegram Section (10)

Mr. F. H. Crowther

Mr. D. H. Rosser

Mr. Raeburn

Comms. Div. (3)

16996/77
302

Cypher/OTP

O.N.C. DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

No. 337

22nd May, 1950.

D. 10.55 a.m. 22nd May, 1950.

R. 12.07 p.m. 22nd May, 1950.

PRIORITY

CONFIDENTIAL

DRIVE



Addressed to Foreign Office telegram No. 337 of
22nd May.

Repeated for information to Peking

Japanese Trade: Kailan Mining Administration coal
for Japan.

Pryor of K.M.A. is in Tokyo trying to negotiate sales of dredged coal to the Japanese who of course are vitally in need of this source of supply especially in face of dwindling dollar aid (since virtually their only alternative source is east coast of North America).

2. Communists have categorically instructed Pryor that he must decline the offer to barter. They want payment in dollars if possible but failing dollars are willing to accept payment in sterling to their account and for their free use. They are offering up to one million tons over the next twelve months at a c.i.f. price of £4-5-0 a ton (f.o.b. £3). They would stipulate for shipment in Chinese bottoms to the extent available, the balance in British bottoms.

3. Supreme Commander of the Allied Powers (SCAP) is under great pressure from Japanese industry and Miti to authorise the purchase of this coal but there are of course great difficulties both on political and on currency grounds. Pryor has however been given to understand (by MacDermott) that if we were willing to put Kailan coal "high on the agenda" of our trade negotiations (i.e. to agree to create the necessary sterling purchasing

/power for Japan....

CONFIDENTIAL

TOKYO TELEGRAM No.337 TO FOREIGN OFFICE.

- 2 -

power for Japan within the scope of our trade planning) it is possible that political difficulties could be overcome. This seems to be entirely wrong approach. Even if there were any prospect of our being willing in the present circumstances to allow for such transfers on such a scale from S.C.A.P. to the Chinese communists account it would surely be for S.C.A.P. to take the initiative in raising the matter in the trade talks.

4. If however the proposal is one that you would not be prepared to entertain there would of course be no point in S.C.A.P.'s raising it. We shall be grateful therefore if you will let us know for Pryor's early information whether there is any use in his pursuing the proposal further or whether it is a complete non starter. The Financial Adviser has already warned him that he should not be optimistic.

5. K.M.A.'s London agent will probably also be taking the question up direct.

6. In considering this matter you will no doubt take into account that though K.M.A. is largely a British interest prospect of it remaining so for very long in the face of what we understand to be an imminent threat of expropriation would appear to be slight.

F F F

T T T T

16996/h7

301



En Clair.

O.N.C. DISTRIBUTION.

FROM TOKYO TO FOREIGN OFFICE.

Sir A. Gascoigne.

No. 336

May 21st, 1950

D. 4.16 a.m. May 21st, 1950

R. 7.41 a.m. May 21st, 1950

PRIORITY

DRIVE

Japanese trade arrangements.

At Working Party meeting on 19th May Lingeman was elected spokesman for sterling area.

2. Our colleagues requested us to draw your attention to the fact that we are being pressed by S.C.A.P. to fix a date for opening the negotiations. They also urged the desirability of furnishing S.C.A.P. at the earliest opportunity with the requirements of the participants.

.....

*Personal*Treasury Chambers,
Great George Street,
S.W.1.

308

20th May, 1950.

My dear Bill,

You will no doubt have heard of the reverberations of the great O.N.C. battle on Japan. Morris and Rosser can tell you all about it but I would be most grateful for any help you can give us on one particular aspect.

Clearly, one of the main causes of our present troubles in Japan is that the independent Commonwealth are interpreting the principle whereby they only import essential goods from Japan far too liberally. To my mind there is no other explanation of the fact that the shopping lists of the Independent Sterling Area have been growing larger every year despite the fact that the flow of essential goods from the U.K. and other soft currency sources is constantly increasing in volume.

As I see it this is a case in which the interests of the Treasury and the Colonial Office coincide. We are trying hard to avoid putting Japan into funds to buy excessive quantities of rice from Burma and Siam, and so forcing us to put the supply of staple foodstuffs to the Asiatic colonies on to a dollar basis. One obvious way of doing this is to cut down our total purchases from Japan and I should say here that I feel strongly that as the Dominions are living so largely on the dollar surplus of the Colonial Empire they should willingly accept a large surplus with Japan in order to enable the Colonies to get their essential requirements of cotton textiles. This is only fair but it is a difficult proposition to sell to the Independent Sterling Area.

/If

W.L. Gorell Barnes, Esq., C.M.G.,
Colonial Office.

If we are going to sell it, and if need be I am certainly prepared to try very hard to do so, the more clearly we can prove that the textile requirements of the Colonies are in fact essential, the better our chances. I realise how difficult it is to collect information of this kind from all Colonial territories concerned, but I believe it is true to say that something like 90 per cent. of Japanese textile exports to the Colonial Empire go to four or five territories. I believe that even if we restrict our enquiry to these territories it would involve a substantial amount of work, but I do think that considering the interests at stake the work would be well worth doing if it was at all possible.

I would be very grateful if you could consider sending an urgent request to the Colonies concerned to provide us with the sort of information which, if and when we had to ask the Dominions to cut down their requirements from Japan, would really convince them that they were not being over greedy.

Yours sincerely,

Martin

(M. T. FLETT)

J. S. H. B. [Signature]
169967
299

LETTER

ALLOTTED TO ECONOMIC IV DEPT.

FROM: OFFICE OF THE HIGH COMMISSIONER FOR
THE UNION OF SOUTH AFRICA IN LONDON
TO: COMMONWEALTH RELATIONS OFFICE

D. 20th May, 1950
R. 22nd " 1950

(Ref. 116/90/20/10/8)



CONFIDENTIAL

With further reference to the Secretary of State's telegram No. 17 of the 31st March, 1950 and my even-numbered letter of the 20th April, I am directed to inform you as follows in relation to the recent discussion with Mr. Snelling and other United Kingdom representatives:-

- (1) The Union Government attach great importance to the maintenance of multilateral trade and are most anxious to avoid further departures from this principle by licensing imports from individual countries.
- (2) They have again reviewed trade prospects with Japan and are satisfied that the Union's balance with Japan will not be as unfavourable as my letter under reference may seem to suggest. During 1937 the Union's total imports from Japan reached a maximum for the period 1935 to 1939 amounting to approximately £3,869,000 and of this amount the textile items which have now been decontrolled represent £2,164,000.
- (3) In regard to paragraph 2(b) of the memorandum prepared as a result of the discussion referred to above, it is assumed that the reference to "relevantly inessential goods" refers to permits issued for consumer goods. It must be pointed out, however, that these goods are not inessential and that permits are issued on a very limited scale only, and that moreover, it is not expected that Japan will capture any substantial part of this trade.
- (4) Legislation will be introduced during the current session of the Union Parliament to empower the Government to increase by 100% the maximum rates of duty applicable to Japan and other countries not entitled to most-favoured-nation treatment whenever there is evidence that goods from such countries are being imported at prices which threaten to disrupt local industries.
- (5) In view of the factors mentioned under paragraphs 2, 3 and 4 above, it is considered most unlikely that the Union will be flooded with Japanese goods. If, as it is hoped, Japan will import South African wool on a substantial scale, the Union's unfavourable balance with that country should not be excessive.

/ (6) It

- (6) It must be pointed out, however, that the Union is experiencing increasing difficulties in obtaining supplies of textiles and other important goods from the United Kingdom and other soft currency countries and unless delivery dates improve, importers would be compelled to look to Japan for supplies. This would, of course, materially affect the Union's balance of payments with Japan.
- (7) If other sterling area participants are prepared to accept the foregoing position the Union would be prepared to participate in the new trade arrangement.
- (8) It is the intention of the Union Government to instruct Mr. H.O.V. Jensen, the Union's Senior Trade Commissioner in Singapore, to attend the negotiations with Supreme Commander Allied Powers (S.C.A.P.) as the Union's representative. While he will be briefed to the fullest extent possible, the Union Government would appreciate it if the United Kingdom representative could be requested to assist him by providing such information as he may require.

In conclusion, I am requested to convey to you the appreciation of the Union Government for your offer to represent them at the forthcoming round of negotiations and for the ready assistance which you have given to the Union Government in the past.

Copy to:- D.II.

OVERSEAS NEGOTIATIONS DISTRIBUTION PLUS

Treasury	Mr. D.O. Henley
	Mr. J. Stone
B/Trade	Miss S.D. Wingate
Foreign Office	Mr. F.H. Crowther
Colonial Office	Mr. D.H. Rosser

c.c. Mr. Hardman
Mr. Skilton.

OPA/P/815

~~SECRET~~



19th May, 1950.

Dear Milner,

O.N.C. Submission on Japan

I am writing to confirm our telephone conversation this morning when I told you that the Ministry of Food had no objections to the amendments proposed by yourself and by Jackling.

I gathered from you, however, that Jackling's suggested draft paragraph is going to be considerably re-drafted and we should like to see the phrase "under the Agreement" inserted after "do not prejudice purchases" on the penultimate line of the first page of Jackling's amendment.

I am copying this to Young, Crowther, Percival, Rosser and Dutton.

Yours sincerely,

A. R. G. Raeburn.

F. Milner, Esq.,
Cabinet Offices,
Great George Street,
S.W.1.

OUTWARD TELEGRAM

16996/77

297

Mr. Rosen
Cypher/OTP.
Confidential.

O. N. C. DISTRIBUTION.

FROM FOREIGN OFFICE TO TOKYO.

No. 287

D. 2.30 p. m. 19th May, 1950.

19th May, 1950.

CONFIDENTIAL.

DRIVE.



288
Your telegram No. 329 [of 16th May: Japanese Trade -
Proposed transfer from Norwegian to S. C. A. P. account].

282
We cannot agree to this transfer from a transferable account
country. We will cover general point in your telegram No. 320
[of 12th May] in the instructions for the negotiations.



16996/77

2 as

THE EAST AFRICAN OFFICE.

KENYA - TANGANYIKA - UGANDA - ZANZIBAR.

GRAND BUILDINGS, TRAFALGAR SQUARE, LONDON, W.C.2.

TELEPHONE: WHITEHALL 5701/2

REN/DEB
56/1

17th May,
1950.

Dear Rosser,

With further reference to my conversation with you on the subject of imports of Magadi soda ash into Japan, I enclose for your information exchange of correspondence with the Chairman of Magadi.

Yours sincerely,

Stoker Vain

East African Commissioner.

D.H. Rosser, Esq.,
Colonial Office,
Sanctuary Buildings,
Great Smith Street,
S.W. 1.



COPY

THE MAGADI SODA COMPANY LTD.

Nobel House,
Buckingham Gate,
London, S.W.1.

16th May, 1950.

Dear Norton,

Thank you for your letter ^{below} of the 12th May, which has been forwarded on to me from Winnington.

We are of course aware that the main obstacle so far to the issue of import licences for Magadi Ash has been the Japanese alkali manufacturers, and we had hoped that the new trade agreement which is to be negotiated shortly might have specified Magadi Ash by name so as to remove at any rate one excuse for the inability of the Japanese to import. We have been told by the Board of Trade, however, that once again the new agreement is to be on an all-Commonwealth basis, and that specific products will not be mentioned. Moreover, there seems no possibility of Kenya being put in the same position as Burma, Pakistan and Ceylon, who have been able to make their trade with Japan self-balancing within the framework of the present Commonwealth agreement.

We have considered re-stating our point of view to the Board of Trade at "Under-Secretary" level, but have not yet done so as it would appear to be unlikely to lead to any useful result.

Langford will be back about the beginning of next month, and may have some more news for us about his talks in Kenya, and we shall of course be very pleased to have a talk with the Colonial Office representative, and the European resident in Tokio mentioned in your letter, when he is over here in the summer.

With kind regards,
Yours sincerely,

(Sd.) A.E.J. Gawler

R.E. Norton, Esq., CMG., OBE.,
East African Office.

COPY

REN/DEB
56/1

12th May
1950.

Dear Gawler,

No doubt as the outcome of conversations between Langford and Hope-Jones, the Member for Commerce and Industry, a telegram has been sent by the Kenya Government to the Colonial Office asking the latter to give what assistance they can in regard to the entry of Magadi soda ash into Japan. I have had a conversation on the telephone with the representative at the Colonial Office who attended the Japanese trade talks last year. In his view the argument about shortage of sterling which has been put forward by the Japanese Government is merely an excuse, and there are in fact more powerful interests at work in Japan preventing the issue of import licences. He told me that a prominent European resident in Tokio whom he met during the course of the trade talks and whom he thinks will be in a position to give valuable advice about the best method of overcoming the present impasse, will be over in England in the early summer. He proposes to have a preliminary discussion with this person, and may later suggest a meeting with you and representatives of I.C.I.

Yours sincerely,

R.E.N.

A.E.J. Gawler, Esq.,
Chairman,
The Magadi Soda Co. Ltd.,
The Avenue,
Winnington,
Northwich,
Cheshire.

Mr. D.H. Rosser, Colonial Office.
With the Compliments of Mr. Crowther.

16996/77

FOREIGN OFFICE, S.S.I.

294

18th May, 1950.

SECRET

Roger Jackling has asked me to thank you for the copy of your letter to Norman Young of 17th May enclosing your draft of paragraphs 10 - 14 of the submission on Japan and to suggest that the word "initially" be inserted after "take the line" in the sixth sentence of paragraph 12 and that a passage on the lines of the attached be added at the end of the same paragraph.

I am copying this to Young, Percival, Rosser, Dutton and Raeburn.

(F.H. Crowther)

F. Hilner, Esq.,
Cabinet Office.

SUPPLIES
19 MAY 1950
REGISTRY

It should nevertheless be recognised that whatever sterling S.C.A.P. earns his first priority in the use of it will naturally be for the purchase of what is most essential to him, namely rice and wheat, with cotton also very high on the list. Under any criterion of essentiality it is most unlikely that the U.K. and the participants could reduce their purchases below £60 million and indeed we can expect major difficulties with the other participants if any reduction is attempted below the level of purchase shown in paragraph 11. On this basis no restriction of S.C.A.P.'s sterling earning is likely to have any marked effect on the amount of wheat and cotton which S.C.A.P. will be able to purchase, and it is at the least doubtful whether his ability to purchase rice will be very much inhibited by a refusal on our part to allow him to earn a surplus with the participants for spending in Burma and Siam, since we should only drive him to maximise direct trade with the participants or possibly in the last resort to use any dollars he may have available for purchases in those two areas. In these circumstances Commonwealth Relations Office and the Foreign Office while prepared to accept the approach suggested in the foregoing paragraphs as a start, doubt whether this will prove in the event to be a realistic basis for negotiation, *we* and consider that an attempt must be made outside the context of the trade negotiations to reach ^{some} ~~the same~~ agreement with S.C.A.P. as to the amount of wheat and rice he will take from sources upon which the other countries in South-East Asia rely for essential food stuffs. It may be possible/

reluctant to see pressure put on the other participants to reduce their proposed purchases from Japan

possible to find means of allowing Japan to
accede to the International Wheat Agreement on
terms which do not prejudice purchases by
sterling area countries of wheat from Australia
and in this event there is some reason to
believe that S.C.A.P. would be prepared to
co-operate on the matter of rice purchases.

*This is being pursued separately
in my event*

[Faint handwritten notes and scribbles]

[Vertical text on the left margin, mostly illegible due to damage and binding]



16996/77

293-

En clair

O.N.C. DISTRIBUTIONFROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

D. 3.12 p.m. 18th May, 1950

No. 334

18th May, 1950

R. 4.32 p.m. 18th May, 1950

DRIVE

Japanese trade arrangement.

Review of the years plan.

We now have the position so far as it can be ascertained as of 30th April. The figures have been supplied by S.C.A.P. and carefully checked and re-checked by the Trade Co-ordinator in consultation with the Financial Adviser. We are reasonably satisfied that duplications have been avoided and that the figures are as accurate as can be hoped for.

2. Japan's current sterling sales amounted to £44.9 million (on the basis of contracts validated up to 30th November, 1949 and known cancellations 18.7 plus export letters of credit negotiated under new procedure from 1st December, 1949, to 30th April, 1950. 14.8 plus export letter of credit outstanding as of 30th April 11.4 (leaving £21.2 million to complete the current sterling sales programme as indicated in the February review. The carry over figure for Japan's sterling sales as of 1st July, 1949, is now reduced to £14.8 million, further cancellations having been brought to light. (Check total 44.9 plus 21.2 plus 14.8 equals 80.9.)

3. Japan's current sterling purchases amounted to £49.7 million (on the basis of contracts validated to 31st December, 1949, less known cancellations 39.0 plus sterling allocations from 1st January to 30th April, 1950, 8.6 plus contracts signed by Miti up to 30th April 2.1. The carry over figure for Japan's sterling purchases as of 1st July is reduced to £8.4 million. Thus to maintain balance, Japan had still to expend £22.8 million. (Check totals 49.7 plus 8.4 plus 22.8 equals 80.9). There can obviously be no question of our attempting to take up at this late

/date the potential

Tokyo telegram No. 334 to Foreign Office

- 2 -

date the potential extra purchasing power arising from the fact that the nett carry over figure against us has proved to be only £6.4 million.

4. Thus (due largely to heavy sterling area purchases from Japan in April coupled with S.C.A.P.'s abstentions) the balance has now swung slightly against us. We are urging S.C.A.P. to authorise additional sterling purchases. The import budget for the June quarter is at present only £6.1 million (of which none was allocated during April) but we are informed confidentially that arrangements are in hand for the allocation of another £7.9 million. Thus there would still be some £8.8 million leeway to make up if we could count on the balance of purchases scheduled by the sterling area being made.

5. The foregoing takes no account of invisibles, of which we hope to have a revised estimate soon. Meanwhile we continue to assume that they will end up not far from approximate balance.

bbbbb

16496/77

289.



Cypher/OTP

O.N.C. DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

No. 330

D. 11.52 a.m. 16th May, 1950

16th May, 1950

R. 2.21 p.m. 16th May, 1950

CONFIDENTIAL

DRIVE

288. My immediately preceding telegram.

If Treasury are prepared to authorise such transfers you will no doubt wish us to ensure during forthcoming trade negotiations that this and any other third country transfers which may be permitted are kept within the bounds of an overall balance of sterling trade between Japan and non participants.

H H H H

En clair

—/77
288.
O.N.C. DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

D. 11.49 a.m. 16th May, 1950

No. 329

16th May, 1950

R. 2.26 p.m. 16th May, 1950

DRIVE



Japanese trade.

Proposed transfer from Norwegian to S.C.A.P. account.

G.H.Q. have been approached by prospective Norwegian buyers of Japanese wholers who wish to pay sterling. The Controller has asked the Financial Adviser to ascertain whether provided there were no Norwegian objection His Majesty's Treasury would be prepared to agree to transfers from Norwegian to S.C.A.P. account to an amount not in excess of £740,000 over the next eight or ten months. We shall be grateful for an early reply. See my immediately following telegram.

bbbbb

16996/77/50

Saving.

285-6

From the Secretary of State for the Colonies.

To the Officer Administering the Government of.....

KENYA

Date.....

No. 523 Saving.

CONFIDENTIAL.

Your Saving No. 699.

Trade with Japan - Magadi Soda Ash.

This was the subject of many discussions in Tokyo last summer between the Colonial Office representative at the trade negotiations and the Chief of the Foreign Trade Division of S.C.A.P. and many others. The matter has also been discussed with the East African Commissioner in London, who is a director of the Company.

It would appear that the current reason for refusing to license the importation of Magadi soda ash is shortage of sterling but it is thought this is an excuse and that the interests seeking to obstruct the trade are more powerful than their rivals.

A prominent contact man is expected in this country within a few weeks and it is proposed to discuss the matter with him.

You will be notified of developments.

SECR.

Draft
TELEGRAM / * * **SAVINGRAM**
* The word Priority may be entered here, if necessary.

16996/77
File No.

~~1241~~

285-6

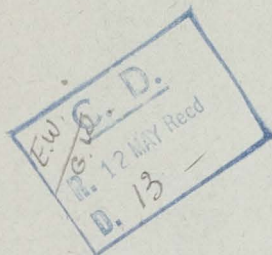
To:— Kenya.

Sent.

_____ hours

16 MAY 1950
194

Repeated to:—



Priority:—

Nil.

Reply urgently required.
Important.
Immediate.
Most Immediate.

To be transmitted:—

In Clear
Code
Cypher

No. 523

Restricted.
Confidential.
Secret.
Top Secret
and Personal.

Mr. *Kat'mel*
Komer 12/5

Mr. _____

Mr. _____

Mr. _____

Sir _____

Permt. U.S. of S.

Parly. U.S. of S.

S. of S.

(253a)

Your Savingram No 699.

Trade with Japan - Magadi Soda Ash.

This was the subject of many discussions in Tokyo last summer between the Colonial Office representatives at the trade negotiations and the Chief of the Foreign Trade Division of SCAP and many others. The matter has also been discussed with the East African Commission in London, who is a director of the Company.

~~It is my opinion that~~

It would appear that the current ^{reason} ~~excuse~~ for refusing to license the importation of Magadi soda ash is shortage of sterling but it is thought this is an excuse and that more powerful interests seeking to obstruct the trade are more powerful than their rivals.

Distribution:—

by R.E. Norton E.A. Office.

Further action:—

A prominent contact man is
expected in this country within a
few weeks and it is proposed to
discuss the matter with him.

You will be notified of
developments



283

THE EAST AFRICAN OFFICE.

KENYA ~ TANGANYIKA ~ UGANDA ~ ZANZIBAR.

GRAND BUILDINGS, TRAFALGAR SQUARE, LONDON, W.C.2.

TELEPHONE: WHITEHALL 5701/2

11. 5. 50.

Dear Mosser.

Herewith the Magadi papers
ref. Japanese Imports. You will
appreciate that they are private documents
of the company & should not be referred to
in any written communication or
conversation. But I think you should see
them as they explain the present
position. Pl. let me have them back
in due course.

Returned
to Mr. Norton

17.5.
Embark

Steger-Vander

16996/77

282

Cypher/OTP.

O.N.C. DISTRIBUTION.

FROM TOKYO TO FOREIGN OFFICE.

Sir A. Gascoigne.

No.320.

12th May, 1950.

D. 10.32 a.m. 12th May, 1950.

R. 11.50 a.m. 12th May, 1950.

PRIORITY.

CONFIDENTIAL.

DRIVE.



Addressed to Foreign Office telegram No.320 of 12th May.
Repeated for information to the UKHC Colombo.

Japanese Trade Arrangement.: Ceylon.

General Headquarters have received via the State Department a telegram from the United States Embassy Colombo stating that the Government of Ceylon are anxious to send a special representative to Tokyo for trade negotiation and enquiring whether if he arrived by 1st June he would be able to participate effectively. The Government of Ceylon also wish to know how long the talks are likely to last.

2. General Headquarters have answered that they have no objection for their part to the despatch of an Ceylon representative provided he is cleared through this mission in the normal way; and that they have referred the question asked by the Ceylon Government to us for reply.

3. We do not yet know your target date for the beginning but presumably the Ceylon representative would not have lost much by not arriving by 1st June. (We had however hoped to be spared the presence of another Commonwealth colleague and were not even aware that Ceylon had decided to participate). As regards the probable length of the negotiation it is obviously impossible to foretell but would suggest a safe answer would be upwards of a month.

Foreign Office please pass to United Kingdom High Commissioner Ceylon as my telegram No.8).

[Copies sent to Telegram Section Commonwealth Relations Office for repetition to UKHC Ceylon.

666666

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Outward Telegram from Commonwealth Relations Office

ECONOMIC (IV) DEPARTMENT.

CYPHER (SIMPLEX)

TO: CEYLON (GOVT.)

RPTD: U.K.L.M. TOKYO (VIA F.O.)

(Sent 13.20 hrs., 12th May, 1950)

IMMEDIATE

No. 61 RESTRICTED



279 Your telegram No. 88.

TRADE ARRANGEMENT WITH JAPAN

1. We note that you propose sending representatives to Tokyo and assume that you will make arrangements direct with United Kingdom Liaison Mission, Tokyo, to whom your telegram has been repeated.

2. We have already asked Supreme Commander Allied Powers (S.C.A.P.) for postponement of about 10 days in opening date of negotiations and hope that this will give time for your representative to reach Tokyo. There would be advantage in your representative reaching Tokyo as soon as possible so that he could have discussions with other Commonwealth representatives in advance of negotiations with S.C.A.P.

Copy to: D.II.

Treasury

B/Trade

Foreign Office

Colonial Office

Mr. F. Milner

Mr. D.O. Henley

Mr. J.H. Martin (4)

Miss S.D. Wingate

Cablegram Section (10)

Mr. F.H. Crowther

Mr. D.H. Rosser

Copy sent to Foreign Office Cypher Section for retransmission to Tokyo.

Mr. Rosen

280

Cypher/OTP

O.N.C. DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

No. 309

11th May, 1950

D. 7.16 a.m. 11th May, 1950

R. 9.26 a.m. 11th May, 1950

PRIORITY

CONFIDENTIAL

DRIVE



240 242

My telegrams Nos. 285 and 287. Japan - Sterling area trade arrangement.

The Financial Adviser has been [? gp. omitted] by Hale, now Chief of the Foreign Trade and Commerce Division, Economic and Scientific Section, that he has sent the schedule of the sterling import requirements back to Miti with instructions to maximise wherever possible their proposals for sterling procurement. He feels that they have been inhibited by their interpretation of General Headquarters previous procurement policy and considers that in the altered circumstances of the drastic reduction of dollar aid an entirely fresh approach is necessary. He has therefore suggested to them that they should predicate their planning of sterling procurement on the extreme assumption that during 1950-1951 fiscal year there might be no (repeat no) dollar aid.

2. We must expect therefore to be confronted with a demand for sterling goods considerably in excess of the amount of 89 million pounds which was Miti's proposed opening bid.

3. Our Indian colleague is predicting that there will be "fire-works" at this year's negotiation. He is determined that India shall play a much more active role in the negotiation this time and enjoy a much larger share in the trade plan. He disagrees with the proposal that sterling area purchases from Japan shall continue to be limited to essential requirements (unless he receives categorical contrary instructions from his government) and might support S.C.A.P.'s expansionist ideas. Our Australian colleague appears to share Chettur's views and there is no doubt that

/all three of our

CONFIDENTIAL

Tokyo telegram No. 309 to Foreign Office

- 2 -

all three of our Commonwealth Governments are determined this year to resist anything that may appear to be an attempt at United Kingdom "domination" of the negotiation, such as they allege was a feature of last year's conference.

4. It is with these considerations in mind that we venture to refer you once more to paragraph 2 and paragraph 3 of our telegram No. 274.

8888

279

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Inward Telegram to Commonwealth Relations Office

ALLOTTED TO ECONOMIC IV DEPT.
CYPHER (SIMPLEX)

FROM: CEYLON (GOVT.)

D. Colombo 16.00 hours 10th May, 1950
R. 13.45 hours " " 1950

IMMEDIATE

No. 88 CONFIDENTIAL

181 199 219.

Your telegrams Nos. 42, 46 and 54.

TRADE ARRANGEMENTS WITH JAPAN

We agree to continuance of present arrangements for trade with Supreme Commander Allied Powers (S.C.A.P.). Following are our views on issues raised.

Estimated export availabilities from Ceylon during period July 1st 1950 to June 30th 1951. Total approximately Rs. 21.3 million repeat Rs. 21.3 million comprising graphite 3,000 tons value Rs. 1.8 million coir fibre 5,000 tons value Rs. 3.2 million copra and coconut oil 5,000 tons value Rs. 8.8 million rubber 2,000 tons value Rs. 4.9 million, tea 100 tons value Rs. 0.7 million cacao 600 tons value Rs. 1.9 million. All prices c.i.f. Japan and quantities based on estimated requirements of Japan. If requirements are greater availabilities can be increased.

2. Estimated essential import requirements during the same period total Rs. 61.9 million repeat Rs. 61.9 million comprising cotton piece goods Rs. 40 million art silks Rs. 5 million tea chests Rs. 2.5 million cotton yarn and twist Rs. 2 million cement Rs. 1 million paper Rs. 1 million machinery Rs. 1 million iron and steel goods Rs. 1 million and miscellaneous goods Rs. 8.4 million. These essential requirements are greater than figures for 1949/50 for following reasons: Ceylon requires large quantity essential manufactured goods, particularly cotton piece goods from Japan to keep down rising cost of living. With prohibition of imports of cotton piece goods from dollar sources, consequent on sterling assets agreement with the United Kingdom our chief source of cheap cotton textiles is Japan. Further, as pointed out previously our import allocation in 1949/50 fell far short of requirements. Lastly owing delay in finalisation Ceylon's import allocation during 1949/50 and consequent delay in issue of import licences Ceylon's imports from Japan during current year far short of requirements.

3. Ceylon's attitude on United Kingdom's tentative preliminary views on attitude of sterling area participants in negotiating renewal of trade arrangements with S.C.A.P. is as follows

- (a) agree that primary objective should be to achieve balance of trade at levels sufficient to satisfy all essential requirements of participants and avoid any dollar

/liability...

liability.

- (b) Agree that some modification necessary of present obligation in trade arrangement whereby each party must match purchases by the other up to any level so that sterling area participants may not be forced to buy non-essential commodities from Japan and that South East Asia may not be denuded of essential goods such as foodstuffs required for economy of those countries. We therefore agree that any purchases by each side over and above certain level should be subject to discussion with S.C.A.P.
- (c) Agree that itemisation of commodities unnecessary in final arrangement although such itemisation desirable during the negotiations.
- (d) Agree that post-war trade between Japan and sterling area not so stabilised as to justify an agreement running for over one year.

4. While grateful for offer of representing Ceylon at negotiations we propose send our own representative participating in talks. We shall be glad for such assistance and support as your representative can give him. We agree that negotiations for next renewal of present trade arrangement should take place as early as possible in view of unavoidable delay inaccurately estimating our export availabilities and import requirements. We have not been able to make necessary arrangements to send a representative to Tokyo by 15th May. If it is possible we should like initial negotiations to be postponed until about 29th May by which date Ceylon's representative could be present in Tokyo. Please telegraph whether such postponement possible or else inform us when next round of negotiations likely to take place so that our representative may attend.

Copy to:- D.II.

C.L.C. DISTRIBUTION PLUS

C.R.O.	Mr. Dutton
Treasury	Mr. D.O. Henley
B/Trade	Miss S.D. Wingate
Colonial Office	Mr. D.H. Rosser
Foreign Office	Mr. F.H. Crowther

C.O.

DRAFT AND RECORD COPY

REGISTERED No.

LETTER
SENT

DATE

277
278

DRAFT

MR. **Morris** *HS 11/5*

MR.

MR.

Sanctuary Buildings,
Great Smith Street,
London, S.W.1.

// May, 1950.

Dear Milner,

ENCLOSURES

As arranged on the telephone yesterday I send herewith a note prepared in the Colonial Office to serve as a companion annex to that which the Board of Trade are putting in to the O.N. Paper on Japanese trade arrangements. As you know, we have not actually seen the Board of Trade note of reservation, but our note is being written on the assumption that the Board of Trade's comments follow broadly the lines in the draft which we had several days ago from Percival.

I am sending a copy of this letter and the enclosure to Miss Dennehy.

FURTHER ACTION

Yours sincerely,

(SIGNED) **W. A. MORRIS.**
W.A. Morris

To

F. Milner, Esq.,
Treasury

COLONIAL REQUIREMENTS OF COTTON TEXTILES

FROM JAPAN - 1950/51

Note by the Colonial Office

The estimated essential requirements of cotton textiles for the Colonies from Japan in 1950/51 are, as given in paragraph of the Overseas Negotiations Committee's paper, £22.9 million. This represents an increase of £3.8 million over the estimated requirements in 1949/50, and of £4.4 million over the best estimate that can be obtained of the sum actually being spent on Japanese textiles during the 1949/50.

2. In the Board of Trade's note of reservation to the recommendations of the Overseas Negotiations Committee reasons are given why the Board of Trade representatives on the Committee consider that the Colonial estimate is in excess of essential requirements. The Colonial Office, therefore think it necessary to record the following:-

(a) The Colonial estimates of essential requirements of textiles from Japan in the next period were furnished by Colonial Governments themselves with full knowledge of the criteria against which the essentiality of these requirements should be judged.

(b) Only the Colonial Governments have detailed knowledge of the textile supplies position in the individual territories, in the light of which the essential requirements from Japan can be estimated. The Colonial Office, from a careful scrutiny of the estimates, have no reason to

/suppose

suppose that these are inflated or represent non-essential requirements.

(c) The fact that the estimated requirements for 1950/51 show an increase over the current period is accounted for very largely by the present high price of German textiles. Since Colonial territories have been practically stopped from buying dollar textiles they have turned very largely to Germany and Japan as well as to this country for their supplies, but recently, Germany has priced itself out of the market and estimated requirements from Japan reflect this.

(d) The decontrol of Indian export prices for textile exports resulted earlier this year in a price increase of 20%. This has checked the increase in Colonial demand from India. In any case, India does not supply the whole range of types required by the Colonies.

3. The Board of Trade's note also refers to the possible effect of approving the figures of Colonial requirements, mentioned in the main paper, upon Lancashire's position. For the reasons stated in the previous paragraph, the Colonial Office do not believe that the increased requirement will be at the expense of Lancashire, especially as Lancashire order books are understood to be full for at least a year ahead. Moreover, even if this were not so, the Colonial Office hold strongly to the view that the only ground on which they could, if it proved necessary, inform Colonial Governments that essential requirements from Japan, as stated by Colonial Governments and endorsed by the Overseas Negotiations Committee, could not be supplied would be that meeting them would involve

/the

the risk of loss of hard currency.

It is an essential feature of import licensing policy in the Colonies that licensing is used solely for the purpose of saving gold and hard currencies. Because of this, it has been possible to effect large reductions in dollar importing without political trouble. The whole of the dollar-saving effort would be jeopardised if it appeared that import licensing was being used for different purposes e.g. to secure a sheltered position for U.K. manufacturers.

M. D. H. Ross

Col. a

Ref (276)

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT)

CONFIDENTIAL

COPY NO. 174

CABINET

OVERSEAS NEGOTIATIONS COMMITTEE

CORRIGENDA

to

O.N.(50)41st and 43rd Mtgs.

O.N.(50)41st Meeting - JAPAN

Page 2 - Balance between S.C.A.P. and the participants

1st paragraph:

For: "United Kingdom" Read: "Sterling Area"

2nd paragraph:

Delete, and substitute:

"It was generally agreed that, as we should not know until well after the end of June the result of the current year's trading, even in the most general way, no account could be taken of any possible unbalance in the figures to be used during the negotiations. It was, however, agreed that our negotiators should be authorised to agree to an application by S.C.A.P. to increase his sterling working balance from £10 million to a maximum of £15 million, but that if he wished to hold more than £15 million, they should refer to London."

Page 2 - Shipping Clauses

Last line:

Delete: "since the beginning of the year"

Substitute: "since 1st April, 1950"

O.N.(50)43rd Meeting - Minute 3, BRAZIL

Page 4:

Delete first two sentences

Substitute:

"The Bank of Brazil had asked for uncovered overdraft facilities, but it was directly contrary to U.K. Exchange Control practice to allow such facilities, although there was no objection to accommodation being given where there was a specific underlying commercial transaction."

Cabinet Office, S.W.1.

18TH MAY, 1950



275

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Inward Telegram to Commonwealth Relations Office

ALLOTTED TO ECONOMIC (IV) DEPT.
CYPHER (SIMPLEX)

FROM: AUSTRALIA (GOVT.)

D. Canberra 12.30 hours, 9th May 1950

R. 06.55 hours, 9th May 1950

No. 108 RESTRICTED

32-181, 197
Your cablegrams 28, 71, 76.



TRADE ARRANGEMENT WITH JAPAN

1. We confirm that we are desirous of an arrangement much along the lines of that now in force for trade with Supreme Commander Allied Powers (S.C.A.P.) being operated in 1950/51 and are agreeable to the negotiations for the renewal of the arrangement being opened on 15th May 1950, subject to United Kingdom cablegram 82 and our 160.

2. During last two years' operation of the arrangement Australia's purchases from Japan and sales to Japan have been adversely affected by certain participating countries over-purchasing during certain periods and under-purchasing in other periods. We are anxious to ensure that all participating countries make accurate estimates of their essential requirements for 1950/51 and also undertake to issue licences to the full extent of their allocations in a regular and systematic manner.

3. Our sales and purchases for 1950/51 are estimated as follows -

Sales c.i.f. Japan

Wool 13,267,
Wheat 5,000,
Other grains 1,000
Miscellaneous 200,
Total 19,467.

Purchases (f.o.b. Japan) essentials only

Tinplate 863,
Steel and steel manufactures 6,400,
Copper 3,800,
Textiles (including raw silk) 2,340,
Timber 440,
Machinery and electrical appliances 300,
Miscellaneous 420,
Territories 300,
Total 14,863.

All values are in thousands of pounds sterling.

4. Licences are now being issued for amount of Australian
/ share.....

share of additional allocation of purchasing power from the 1949/50 arrangement and we will authorise during the period between now and end June additional licences to bring total up to 25% of estimated purchase demand set forth above.

Copy to:-

C.L.C. DISTRIBUTION PLUS

Australia House	Mr. V.A. Clarke
Treasury	Mr. D.O. Henley
B/Trade	Miss S.D. Wingate
Colonial Office	Mr. D.H. Rosser
Foreign Office	Mr. F.H. Crowther

C.O.

DRAFT AND RECORD COPY

274.

REGISTERED No. 16996/77/52/50

LETTER SENT 10.5.50.

Colonial Office, <u>DATE</u> Sanctuary Buildings, Great Smith Street, S.W.1.

DRAFT

10th May, 1950.

MRS. Beck 10.5.50

MR.

Dear Miss Wingate,

MR.

234

Will you please refer to Drive No.280 from Tokyo, dated 28th April, about the supply of crude rubber from Malaya?

269

We took this up with Singapore and have now heard from the Governor that the required amount can be supplied subject to Japanese buyers paying ruling market price. Incidentally, we do not understand telegram No.410 from Singapore to the Foreign Office as we have not seen telegram No.65 from Tokyo referred to therein.

ENCLOSURES

257

Yours sincerely,

(E.M. Beck (Miss))

FURTHER ACTION

Miss S.D. Wingate,
Board of Trade.

To

Mr Gorell Barnes.

- (a) is Mr Percival's memorandum.
- (b) is my reply
- (c) is an annexure to (a), received this morning.
- (d) is the ~~or~~ minutes, containing some minor inaccuracies but leaving no doubt that you presented the Colonial Office forcefully and that it was accepted.

V. 9/5.



273
BOARD OF TRADE,
MILLBANK,
S.W. 1.

With Miss Dennehy's Compliments

Table I
Annexure to (271).

8th May, 1950

272 (b)

Estimates of Essential Requirements

£ ,000

For 1949/50	* for 1949/50	Estimated for 1950/51	Percentage increase
Australia	2,960 (subs increased to 4,960)	12,500	322
New Zealand	418 (sub increased to 831,000)	600	43
United Kingdom (excluding grey cloth for Colonies)	2,436	4,325	76
Colonies	27,881	31,200	12

* ONWP(49)74

Estimates of Colonial Textile Requirements

	£ ,000		Percentage increased
	* 1949/50	1950/51	
To Colonies direct	19,155	22,917	19
Via United Kingdom	4,000	9,200	130
Total	23,155	32,117	38

* ON.WP(49)74

It will be noted that the increase in direct requirements in 19%, while requirements via United Kingdom have risen by 130%. It should further be noted that £9,200,000 required from the United Kingdom is bought from Japan because the United Kingdom is unable to supply. Thus were the United Kingdom able to weave all the cloth which is processed in the United Kingdom the Colonial requirement of S. and P. textiles might be £22,917,000 against a total estimated requirement last year of £23,155,000.

The main reasons for the increase in Colonial requirements from United Kingdom/Japan are:-

- (a) Germany has ceased to be an exporter of textiles since last November and there is no indication that she will be re-entering the market in the near future.
- (b) the abolition of price control on Indian exports, resulting in increase in prices which has eliminated India as a valuable source.



271
BOARD OF TRADE,

MILLBANK,

S.W. 1.

WITH MR. A.E. PERCIVAL'S COMPLIMENTS.

(Table I and yardage before the
war in paragraph 3 to follow)

8.5.50.

(a)

The Board of Trade are unable to agree to the tabling in Tokyo of the statement of Colonial import requirements submitted by the Colonial Office. They are opposed to this estimate on two grounds: The first is that the textile requirement included in it represents simply what the Colonial merchants wish to be free to import from Japan and not a minimum calculated on the same basis of essentiality which has been used in cutting down the statement of U.K. requirements. The second reason for opposing the Colonial Office estimate is that if the direct imports of Japanese textiles into the Colonies were actually increased to the extent proposed it would be a serious blow to Lancashire.

The information available to the Board of Trade indicates that there is no longer a shortage of textiles in the Colonies. Since it is agreed that sterling area imports from Japan must be restricted on a basis of strict essentiality, the Board of Trade are unable to agree that it would be reasonable in these circumstances to increase the Colonies' allocation for Japanese textiles from £18.5 million to £22.9 million, i.e. over 25%.

In support of their view that there is no longer a shortage of textiles in the Colonies, the Board of Trade state that according to figures supplied by six large buyers in the West African markets, who together cover half of the import trade of those territories, textile stocks and goods in transit or in production at 31st March last amounted to fourteen months supply - without counting considerable quantities of unused licences which are still in buyers' hands. Total imports of textiles into the Colonies in 1949 amounted to 930,000,000 yards as compared with 780 million yards in 1948 and yards before the war. Furthermore, imports from India have been increasing extremely rapidly; for the months of January and February alone they amounted, in 10 principal Colonial markets, to 57 million yards as compared with 8 million yards in January and February, 1949.

In face of these facts the Board of Trade consider that there is no justification for any increase in the Colonies' imports of Japanese textiles. The criterion of essentiality which all participants in the Trade Plan are asked to observe is clearly necessary in order that the import programmes of the several countries shall not exceed the amount that SCAP will buy from them. It is not expected that SCAP will buy more from the participants than last year; if he does wish to do so we can be sure that since his import policy is one of strict austerity, he will wish to buy more food and raw materials, which the sterling area cannot afford to export to Japan in exchange merely for additional (possibly) desirable but not essential imports.

It is on these general grounds that the Board of Trade have agreed, for example, that the U.K. requirements of Japanese raw silk and hardwood for U.K. industries should be put at a lower figure than the Production Departments desired.

The Board of Trade feel it necessary also to emphasize the importance of this question to the Lancashire cotton industry. They consider that if the proposed increase in the Colonies' purchases of Japanese textiles (from £18.5 million to £23 million) were accepted by SCAP and by the other Commonwealth participants, and incorporated in the final Trade Plan, there would be grave concern in Lancashire. Indeed,
/Lancashire

Lancashire has not yet in fact experienced the full impact of the increased allocation to the Colonies last year because for various reasons the rate of imports from Japan has been substantially below the approved figure of £18.5 million.

The constant anxiety among employees and Unions alike in Lancashire, which it has not been possible to allay, is that H.M. Government have no intention, or will be unable when the time comes, to do anything to help them against Japanese competition. They believe indeed that it is only in the U.K. itself and in the Colonies that H.M. Government will have any power at all to help them. They have, therefore, been extremely sensitive about the imports of Japanese textiles into the Colonies under the 1948/49 and 1949/50 Trade Plans. Their own order books are full at present but the flow of orders is falling off. They hope that the Anglo-American Cotton Textile Mission, which has just gone to Japan with the blessing of H.M. Government, will persuade the leaders of the Japanese industry to collaborate with them in order to deal with the problem and they believe (with justice) that their only compelling argument is the danger to the Japanese that uncontrolled expansion by them might lead to the imposition of discriminatory quotas or tariffs against Japanese goods. In view of the plentiful supplies of textiles in the Colonies, a decision to increase the Colonial quotas appreciably at the present time would be regarded by Lancashire as an ill-timed assurance to the Japanese that they have little to fear and as a warning that, when hard times come, H.M. Government will not be able to help Lancashire because the Colonies consider it more important that they should be able to buy textiles from the cheapest source, notwithstanding the economic assistance given to the Colonies by the United Kingdom.

(c)

TABLE I
Figures of requirements from Japan

All goods by direct shipment

	<u>1</u>	<u>2</u> (a)	<u>3</u>	<u>4</u>	<u>5</u>
	Estimated Requirements for 1949-50	Allocation under the Trade Arrangement	Estimated require- ments for 1950-51	Percentage increase of (3) over (1)	Percentage increase of (3) over (2)
Colonies	£27,600,000 (b)	£24,400,000	£31,200,000	13%	27%
Australia	4,960,000	£6,210,000	14 + 12,500,000	252%	100%
United Kingdom					
<u>Non-textiles</u>	2,500,000	3,886,000	4,325,000	73%	10%
<u>All goods</u>	(c)	11,386,000	12,235,000		7%
India	5,372,000	6,222,000	6,375,000	18%	2½%
<p>(a) In this Table, and in Table II, the second column, "Allocation under the Trade Arrangement", includes the appropriate share of the additional £5,000,000 purchasing power which was distributed later in the year as a result of SCAP's large purchases from non-participants.</p> <p>(b) The Board of Trade considers the figure of £27,600,000 misleading, since it includes an estimate of £19,100,000 for textiles by direct shipment, which the Board of Trade considered much too high. This estimate of £19,100,000 was based on the Colonial Office assumption at that date that the Colonies would take less than £4,000,000 Japanese textiles via the U.K. In considering these figures for direct shipment, therefore, it must be borne in mind that, in the estimate for the year 1950-1951, the figure for Colonial requirements of Japanese cloth via the U.K. has been increased 130%. The Board of Trade, therefore, insist that the two categories, direct and via the U.K., must be taken together for any valid comparison of Colonial requirements.</p> <p>(c) When the Delegation left for Tokyo last year, there was no estimate of U.K. textile requirements because the Board of Trade was unable to accept the proportion, in the C.O. estimate of requirements, as between direct shipment and via the U.K. (See Note (6)). The allocation between U.K. & Colonies was therefore left over to be made by O.N.C. after the Delegation's return.</p>					

FIGURES OF COLONIAL REQUIREMENTS FROM
JAPAN

Table II - Textiles

	(1)	(2)	(3)	(4)
	Estimated Requirements for 1949-50	Allocation under the Trade Arrangement	Estimated Requirements for 1950-51	Percentage increase of (3) over (1)
	£	£	£	
Textiles direct	19,151,000	(a) 18,500,000	22,900,000	19.6% (b)
Textiles via the United Kingdom	3,979,000	7,500,000	9,200,000	131%
Total Textiles	23,130,000	26,000,000	31,100,000	34%

(a) Estimated.

(b) In the view of the Board of Trade an even greater difficulty arises on the comparison between actual supplies in 1949/50 (Column 2) and actual supplies in 1950/51 (Column 3, assuming that these figures were confirmed during the negotiations)

INWARD TELEGRAM

TO THE SECRETARY OF STATE FOR THE COLONIES

En clair

269
COPY FOR REGISTRATION
FROM SINGAPORE (Sir F. Gimson)

D. 9th May, 1950.

R. 9th " " 11.15 hrs.

PRIORITY

No. 344.

RECEIVED
9 MAY 1950
COLONIAL OFFICE

Japanese Trade Arrangements.

252. Your telegram No. 445.

Amount can be supplied subject to
Japanese buyers paying ruling market price.

SUPPLIES
9 MAY 1950
REGISTRY

268a -
15

CONFIDENTIAL

MINUTES OF THE FIFTY-SIXTH MEETING
OF THE STERLING AREA WORKING PARTY

HELD IN ROOM NO. 520, EMPIRE HOUSE,
ON MONDAY THE 8TH MAY, 1950, AT
3. p.m.

PRESENT:

Mr. K.K. Chettur	Head of the Indian Liaison Mission (In the Chair)
Mr. H. H. Thomas	Financial Adviser, United Kingdom Liaison Mission
Mr. H.C. Menzies	Australian Commercial Counsellor
Mr. R.L.G. Challis	New Zealand Government Trade Representative
Mr. E.C. Penson	Trade Promotion Section, United Kingdom Liaison Mission
Mr. J.L. Hunt	Sterling Area Trade Co-ordinator, Secretary to the Working Party

Minutes of the last meeting

1. The minutes of the meeting held on the 21st April were approved.

SCAP's sterling position

2. Mr. Hunt referred to the statement of SCAP's sterling position prepared by the Deputy Chief of SCAP's Banking & Foreign ... Exchange Division (a copy of which is attached to these minutes as enclosure 1) and it was agreed that this indicated a considerable improvement as compared with his position on January 1st 1950.

3. Mr. Hunt said that the review of Japan's sterling trade up to the 31st March had still not been completed, but that such figures as he had now been able to obtain tended to confirm the fact that SCAP not only had a favourable balance, but, unless he at once took steps to release more sterling for the importation of commodities from the Sterling Area than he had at present allowed for in his import budget for the second quarter of the calendar year, there was a likelihood that the Sterling Area would again end the trading year with an unfavourable balance.

4. It was agreed that the Co-ordinator should draft a letter to SCAP drawing attention to this position and urging him to take immediate action to keep his trade with the Sterling Area in balance. In particular he should draw SCAP's attention to the fact that whilst supplies of iron ore and of hides and skins were available from Sterling Area sources, SCAP had recently made or proposed to make purchases of the former from French Indo-China, and of the latter from U.S.A.

/Date

Date of negotiations for next Trade Arrangement
(Ref. para. 9 of the minutes of last meeting).

5. Mr. Hunt said that he had been informed verbally by SCAP's Sterling Co-ordinator that they were assuming that negotiations would begin on Thursday the 25th May.

6. Mr. Thomas said that he had not yet received a written reply to his letter to General Marquat on the subject.

SCAP's purchasing programme for the next Trade Arrangement period.

7. In reply to enquiries the Co-ordinator said that he had been informed that SCAP considered the tentative programme of purchases and sales prepared by M.I.T.I. to be completely unsatisfactory and unreliable, and Mr. Greco had been instructed to improve upon it. He understood that Mr. Greco had completed his task, and that the programme was now being considered by other sections of SCAP concerned.

8. Mr. Chettur, Mr. Menzies and Mr. Challis said that they expected that the requirements of their governments from Japan for the next Trade Arrangement period had been notified to London. Mr. Chettur said he had received information on the subject.

Date of next meeting

9. The next meeting of the Sterling Area Working Party will be held in Room No. 520, Empire House, on Wednesday the 17th May at 3 p.m. with Mr. Menzies in the Chair.

J.L. Hunt,
Secretary,
Sterling Area Working Party.

C O P Y

Enclosure 1

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

5 May 1950

Mr. H.H. Thomas
Financial Counsellor
United Kingdom Liaison Mission in Japan
British Embassy
Tokyo, Japan

Dear Mr. Thomas:

Sterling Position

As requested, there is indicated below figures covering the Sterling Position of SCAP and the FECB, as of the close of business, 30 April 1950.

<u>SCAP</u>	<u>Cash Balance</u>	<u>Liabilities under L/C</u>
Hongkong & Shanghai Bank	£ 2,493,000. 0. 0	£ 3,939,000. 0. 0
Chartered Bank	4,194,000. 0. 0	4,388,000. 0. 0
Mercantile Bank of India	3,620,314. 6.10	3,127,272. 0. 5
Total	£10,307,314. 6.10	£11,454,272. 0. 5 (1)

FECB

Hongkong & Shanghai Bank	£ 1,434,000. 0. 0	£ 2,721,000. 0. 0
Chartered Bank	2,291,000. 0. 0	1,953,000. 0. 0
Mercantile Bank of India	958,273.14. 3	1,303,961. 2. 4
National City Bank, London	1,034,936. 5. 1	323,002.11. 9
Chase Bank, London	756,896.17. 6	290,858.15. 4
	£ 6,475,106.16.10	£ 6,591,822. 9. 5 (2)
Grand Total	£16,782,421. 3. 8	£18,046,094. 9.10

Estimated amount of Export L/C outstanding
not yet negotiated £12,460,526. 0. 0

(1) L/C still to be issued £556,513.0.0
(2) L/C still to be issued £8,664,000.0.0

Yours very truly,

REGINALD H. MARLOW
Deputy Chief,
Banking & Foreign Exchange Division

Telegrams marked CYPHER (TYPEX) must first be paraphrased if communicated to persons outside British or United States Government Services; telegrams marked CYPHER (SIMPLEX) should be paraphrased where possible.

Any telegraphic retransmission of a cypher telegram marked other than O.T.P. must be in a One Time System.

Outward Telegram from Commonwealth Relations Office

ECONOMIC IV DEPT.
CYPHER (SIMPLEX)

TO: 1. AUSTRALIA (GOVT.)
2. NEW ZEALAND "
3. SOUTH AFRICA "
4. INDIA "
5. CEYLON "

(Sent 12.35 hours 8th May, 1950)

IMMEDIATE

1. No. 93
2. No. 46
3. No. 23
4. No. 40
5. No. 60



Addressed to Governments of Australia No. 93, New Zealand No. 46, South Africa No. 23, India No. 40, Ceylon No. 60.

TRADE WITH JAPAN

181 My telegram (1) No. 71 of 31st March.
(2) No. 35
(3) No. 17
(4) No. 29
(5) No. 42

In our discussions on line to be taken at forthcoming negotiations with Supreme Commander Allied Powers (S.C.A.P.) several important problems have arisen which we do not think can be settled by 15th May. We have therefore reluctantly asked S.C.A.P. for a postponement of talks for a week or 10 days and we hope that this will not cause inconvenience to other participants.

Copy to:- D.II.

Treasury

Mr. Milner

Mr. D.O. Henley

Mr. J.H. Martin (4)

B/Trade

Miss S.D. Wingate

Cablegram Section (10)

Colonial Office

Mr. D.H. Rosser

Foreign Office

Mr. F.H. Crowther

This is an unparaphrased version of a Secret cypher message and unless it is marked O.T.P. (One Time Pad) or Publex must first be paraphrased if communicated to persons outside British and United States Government Services.

Any telegraphic retransmission of a telegram marked Publex or Typex must be in a One Time System.

Outward Telegram from Commonwealth Relations Office

ECONOMIC (IV) DEPT.
CYPHER (SIMPLEX)

TO: U.K. HIGH COMMISSIONER IN CEYLON

(Sent 12.10 hours, 8th May 1950)

PRIORITY

No. 424



TRADE WITH JAPAN

1. Absence of any estimates for Ceylon's essential requirements on Japan in period 1st July 1950 to 30th June 1951 is causing us serious difficulty in considering line to be taken at forthcoming negotiations with Supreme Commander Allied Powers (S.C.A.P.), and is one reason why we have had to ask for postponement of discussions.

2. Please therefore urge Ceylon authorities once more to provide estimates as soon as possible.

Copy to:-

D.II

Treasury

Mr. F. Milner

Mr. D.O. Henley

Mr. J.H. Martin (4)

B/Trade

Miss S.D. Wingate

Cablegram Section (10)

Colonial Office

Mr. D.H. Rosser

Foreign Office

Mr. F.H. Crowther

262

Cypher/OEP.

O.N.C. DISTRIBUTION.

FROM TOKYO TO FOREIGN OFFICE.

Sir A. Gascoigne.

No. 302.

D. 3.56 a.m. 6th May, 1950.

6th May, 1950.

R. 7.58 a.m. 6th May, 1950.

PRIORITY.

CONFIDENTIAL.

DRIVE.

Japanese Trade.



In extracting sterling budget for June quarter from total foreign exchange budget, the co-ordinator's clerk was able to observe the following items for purchase from non-sterling sources: crude oil 6,000,000 and crude rubber 4,000,000 dollars from dollar area and crude rubber 3,000,000 and Latex 3,000,000 dollars from open account areas.

2. Supreme Commander Allied Powers has consistently refused to divulge information to us about non-sterling items in budget.

3. The Sterling budget amounted approximately to 7.09 million pounds, including 3.13 million pounds (f.o.b.) Burmese rice, 1.7 million pounds cotton, wool and jute from Pakistan, and 0.92 million pounds invisibles (shipping charges 0.51 million pounds).

666666

Mr. Ross

261.

Cypher/OTP

O.N.C. DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne
No. 301
5th May, 1950.

D. 11.26 a.m. 5th May, 1950.
R. 2. 3 p.m. 5th May, 1950.

PRIORITY
CONFIDENTIAL
DRIVE



254

Your telegram No. 254: Japanese Trade Agreement.

Basis of estimated figures.

We agree with your paragraph 1 and confirm that in speaking of the basis of contracts placed as "impossible" we had in mind the difficulty of co-ordination here.

2. SCAP and the Japanese will however (in the light of this year's experience and in particular of the difficulty of getting information about Colonial purchases) almost certainly wish to know how we propose to [gp.undec.] working of the arrangement since there are no records of contracts. Lingeman will no doubt be fully briefed as to the administrative measures we expect to adopt to implement the trade plan and check its implementation (presumably [gp. undec.] make a frequent review of the issue and use of licences). A close watch on payments would serve as a useful additional check.

A.

En Clair

257.
O.N.C. DISTRIBUTION

FROM SINGAPORE TO FOREIGN OFFICE

(From Commissioner General for the United Kingdom in
South East Asia)

Mr. MacDonald
No. 410
4th May, 1950

D. 6.27 a.m. 4th May, 1950

R. 7.45 a.m. 4th May, 1950

PRIORITY
DRIVE

Addressed to Tokyo telegram No. 63 of 4th May
Repeated for information to Foreign Office.

Your telegram No. 65: Crude rubber.

See N.T. 25-2-3
Malaya can supply the required amount of rubber.

ADVANCE COPY

Head Economic Relations Department

OOOO

SUPPLIES
5 - MAY 1950
REGISTRY

16996/77

256A

Inward Telegram to Commonwealth Relations Office

COPY

ALLOTTED TO ECONOMIC IV DEPT.



FROM: THE MINISTRY OF COMMERCE, NEW DELHI

TO: COMMONWEALTH RELATIONS OFFICE, LONDON

D. 4th May, 1950

R. 10th May, 1950

No. 09610

"Your telegram No. 34, dated 21st April.

TRADE AGREEMENT WITH JAPAN

2. Our general attitude for next Trade negotiations is as follows:

We feel that so far as our programme of buying from Japan is concerned we must be guided by our requirements and the availability of capital and other essential goods and raw materials in Japan, together with considerations of comparative prices and delivery dates. Our understanding of the position is that in view of recent difficulties in making adequate purchase on account of Sterling shortage, Supreme Commander Allied Powers (S.C.A.P.) is not likely to be difficult on the question of convertability and we think, therefore, that the emphasis should be laid not so much on convertability or the need to balance the Trade as on the intrinsic commercial requirements of the sterling area participants.

3. In view of the above we would favour the following approach at the forthcoming talks:

(1) we should not depart from the existing agreed objective of maintaining Trade at the highest attainable level.

(2) we would stress the importance of endeavouring to convert the Americans to the point of view that their insistence on convertability is not in anyone's interest, not excluding Japan.

(3) we feel that any pressure by Japan to sell us non-essentials can and should be resisted. However, given a suitable response on the convertability issue, there should be less hesitation on the part of Sterling area countries to accept some less essentials from Japan.

(4) we understand that detailed itemisation of commodities will be insisted upon by S.C.A.P. and M.A.T.I. We do not see any strong reason to object to such itemisation if insisted upon.

(5) we agree to a one year Trade programme."

Copy to:- D.II.

OVERSEAS NEGOTIATIONS DISTRIBUTION PLUS

Treasury

B/Trade

Colonial Office

Foreign Office

Mr. D.O. Henley

Miss S.D. Wingate

Mr. D.H. Rosser

Mr. F.H. Crowther

En Clair

256.
O.N.C. DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

D. 7.17 a.m. 4th May, 1950

No. 297

4th May, 1950

R. 9.05 a.m. 4th May, 1950

PRIORITY

DRIVE

258 My telegram No. 290.

Paragraph 2 first sentence for "buy" read "sell".

ADVANCE COPY

PPP

Head Far Eastern Department



The. Ravel
En clair

O.N.C. DISTRIBUTION

255.

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne D. 5.32 p.m. 3rd May, 1950.

No. 294

3rd May, 1950.

R. 7.33 p.m. 3rd May, 1950.

DRIVE

231. Our telegram No. 277.

SUPPLIES
6 - MAY 1950
REGISTER

Japanese trade arrangement: outstanding cotton textile contracts.

Ministry of International Trade and Industry have canvassed the trade and the reports they have received from fifty seven of the most representative of the eighty firms regularly shipping cotton textiles show that there are at least the following contracts for cotton textiles placed between 1st November 1949 and 15th April 1950 still awaiting import licences.

(thousand linear yards and £ thousand).

United Kingdom 15896, 960.

Iraq 74, 5.

South Africa 8857, 662.

East Africa 14107, 1146.

West Africa 3990, 303.

Aden 2015, 178.

Ceylon 1360, 86.

Trinidad 338, 25.

Singapore 1971, 118.

Australia 637, 48.

Jamaica 1148, 80.

Malaya 91, 7.

Oman 153, 11.

others 9, 5.

Check totals 30736, [sic] 3634.

2. Miti adduce that [sic] foregoing as additional evidence of slowness in the issue of licences, particularly in the United Kingdom and the colonies.

OUTWARD TELEGRAM

Mr. B. R. R.
Cypher/OTP

F

Confidential

254
O.N.C. DISTRIBUTION

FROM FOREIGN OFFICE TO TOKYO

No.254

3rd May, 1950.

D.7.45 a.m. 4th May, 1950.

PRIORITY

CONFIDENTIAL

DRIVE



228 Your telegram No.273 paragraph 4.

The fact that Supreme Commander will no longer have record of validated contracts is surely no reason why the trade plan figures should not represent estimates of the orders which are, in fact, to be placed by both parties during the year. On the basis of these figures both parties can proceed without difficulty to the administrative measures necessary to implement them and will be able, in most cases, to check subsequently on the implementation, each from their own side.

2. We agree (a) that it will no longer be possible to make a comparison in Tokyo of the trade plan figures with comparable figures of the actual outturn; and

(b) that if a payments basis were used, it would still theoretically be possible to determine the correct import licensing policy to implement the trade plan.

3. As regards 2(a) we do not feel that the ability to compare actual payments (if complete bank returns are available as planned) with expected payments, would be particularly advantageous from the point of view of deciding on changes of licensing policy. On 2(b) we prefer a contracts basis because (i) there is a relatively direct connexion between this basis and licensing policy; (ii) there is, therefore, a tighter and more uniform control over purchases throughout the sterling area; (iii) it obviates the need to bother about "carry-overs".

4. Discussion of this subject is difficult by telegram, but Lingeman will be able to give a fuller account of our views and we are particularly anxious to know if you had anything more in mind than is indicated in paragraph 2 (a) above, in saying that "basis of contracts placed is an impossible one". It would be helpful if you could send a quick reply on this point.

B B B

SAVING

From the Officer Administering the Government of Kenya

KSB. 51/24

To the Secretary of State for the Colonies

Date ^{2nd} MAY, 1950.

No. ⁶⁹⁹ Saving



CONFIDENTIAL.

³⁷⁰
^{1949.}
Your priority Saving telegram No.533 of the 10th May, 1949 - MAGADI ASH IMPORTS INTO JAPAN.

This Government has been informed by the Magadi Soda Co.Ltd., that although it is in a position to offer soda ash landed in Japan at a price little in excess of the price paid by Japanese factories for imported salt utilised for the local productions of soda ash, its sales are being greatly restricted by the fact that the administering authorities in Japan has since granting an import licence for 10,000 tons early in 1949 refused further licences.

2. Soda ash is one of the Colony's most important exports and its production is the largest single industrial undertaking in Kenya. The export is already being seriously affected by recent changes in the Indian Customs Tariff which have had the effect of raising the import duty from 18% to 40% ad valorem. I attach a copy of a letter which has been addressed to the Commissioner for the Government of India in British East Africa on the subject. Any assistance which you can give in providing increased facilities for the export of this commodity to Japan will be much appreciated and I hope that it will be possible for the future position to be safeguarded in any new trade agreement which may be negotiated with Japan.

HLA/VH.

ACTING GOVERNOR

... Encl.

Ans 28/5

H/2

2nd MAY

50.

The Commissioner for the Government of India
in British East Africa,
NAIROBI.

Sir,

I am directed to state that the Government of Kenya is seriously concerned at the repercussions likely to be caused on the economy of this Colony by the recent increase of customs duty imposed by the Government of India on imported soda ash. Not only does soda ash represent one of the Colony's most important exports, but during the recent time of world shortage supplies to India were maintained at a high rate as a result of representations then received from the Government of India. In the past, with the exception of 1949, when conditions were exceptional, Kenya exported a larger proportion of soda ash to India than to any other country.

2. This trade has in the past operated to the mutual advantage of both countries. To illustrate this, during 1949 the Kenya product was sold in India at a price of Rs.210 per ton, excluding import duty, although it is understood that the average price of soda ash from other sources was considerably higher. As this commodity is an essential raw material in many respects of modern industry, the assistance provided to industrial undertakings in India cannot, it is felt, fail to be appreciated.

3. It is understood that the import duty payable on Kenya ash has been raised recently from 18% to 40% ad valorem. This, on a tariff valuation of Rs.270 per ton, has increased the actual duty to be paid from about Rs.49 to Rs.108 per ton. It is fully appreciated that the object of this step is the protection of the Indian producer, but representations have been made to this Government by Kenya producers that the measure of protection now granted is, perhaps, excessive as India is not self sufficient in supplies. It is stated that the prices which must now be paid by industrialists for imported soda ash are approximately three times higher than those operating in other industrial countries such as the United Kingdom and France and, in fact, the rate of duty now levied on soda ash is the equivalent of the actual price in those countries. It is understood that, in addition to the protection afforded under the revised customs tariff, and the further relief against outside competition provided by freight charges, Indian producers receive a subsidy of Rs.20 per ton.

4. I am to request, therefore, that the Government

of / ...

of India may be invited to re-examine the matter. The present policy, if pursued, will have unfortunate repercussions on a trade which has in the past operated to the great advantage of both countries. This Government considers the maintenance of its export trade in soda ash to be of the greatest economic importance and is confident that this cannot fail to be taken into consideration by the Government of India, in view of the close and long-standing connections between the two countries. Since your office was established in East Africa, and thanks to your most helpful attitude, it has been possible to solve many economic problems as the result of discussion. I would refer in this instance to such matters as the export of wattle to India, and problems in connection with trade involving South Africa.

5. It is felt that as the result of these representations the importance of the matter in a young and fast developing country will be at once appreciated, and it is sincerely hoped that it will be possible for the Government of India to afford some measure of assistance in this most important matter.

I have the honour to be,
Sir,
Your obedient servant,


for CHIEF SECRETARY.

HLA/VH.

2 2

OUTWARD TELEGRAM

FROM THE SECRETARY OF STATE FOR THE COLONIES

16996/77/50

Code

TO SINGAPORE (Sir F. Gimson)

Sent 5th May, 1950. 13.45 hrs.

REPLY URGENTLY REQUIRED

No. 445.

Addressed to Governor Singapore
Repeated to Governor Federation of
Malaya No. 447.

Japanese Trade Arrangement.

G.H.Q. state that tentative figure purchases of crude rubber from Malaya for period July 1950/June 1951 is 34,000 metric tons valued at £5 million. Total requirements are likely to be about 48,000 tons and they enquire unofficially whether you could supply up to that amount.

Draft

TELEGRAM/ * * SAVINGRAM

* The word Priority may be entered here, if necessary.

252 253
File No. 16996/77

To: Singapore No 445.
257.

Sent. Code.

1345 hours

Repeated to: Federation of Malaya No 447. 1950. 5.5. HK

Priority:—

Nil.
Reply urgently required.
Important.
Immediate.
Most Immediate.

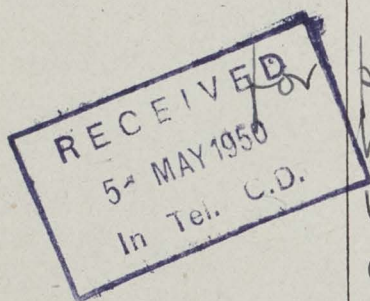
To be transmitted:—

In Clear
Code
Cypher

NA

Restricted.
Confidential.
Secret.
Top Secret
and Personal.

Mr. Home abonce 5/5
Mr. _____
Mr. _____
Mr. _____
Sir _____
Permt. U.S. of S.
Parly. U.S. of S.
S. of S.



Japanese Trade Arrangement

G H Q state that tentative figure purchases of ^{CRUDE} rubber from Malaya for period July 1950/June 1951 is 34,000 metric tons valued at £ 5 million. Total requirements are likely to be about 48,000 tons and they enquire unofficially whether you could supply up to that amount.

Distribution:—

Further action:—

OUTWARD TELEGRAM

251

Cypher/OTP

F

Restricted

O. N. C. DISTRIBUTION

FROM FOREIGN OFFICE TO TOKYO

No. 252

3rd May, 1950

D. 2.06 p.m. 3rd May, 1950

RESTRICTED

DRIVE



Trade Negotiations.

Our essential preliminary consultations with other participants are still continuing and cannot now be completed in time for us to begin negotiations on May 15th.

2. Please therefore request Supreme Commander to agree to postponement for about one week or ten days. We shall telegraph again as soon as we can to give you firm date on which we shall be ready.

3. There is no change in Lingeman's plans to leave here on May 9th.

8888

250.

Cypher/OTP

O.N.C.: DISTRIBUTION

FROM TOKYO TO FOREIGN OFFICE

Sir A. Gascoigne

No. 290

D. 3.58 p.m. 2nd May, 1950

2nd May, 1950

R. 5.44 p.m. 2nd May, 1950

RESTRICTED

DRIVE



239.

Your telegram No. 240.

Japanese trade arrangement: South Africa.

As far as S.C.A.P. is concerned it is a matter of indifference how available purchasing power is divided up among participants provided that he can sell over-all enough to pay for what he requires and can obtain from individual participants supplies for which he looks to them.

2. Our Indian colleague informs us that his Government will [gp. undec. ? this year] expect to take from Japan considerably more than they buy but that he believes that Australia will more than provide enough extra purchasing power for this. He does not think that in principle Indian Government would raise any objection to a substantial excess of South Africa's imports over exports. Our Australian colleague, whilst he is as yet without instructions from his Government, believes that though Australia will want to take more from Japan next year than they have this, they will nevertheless still expect to accrue a substantial surplus, and does not expect that there would be any objection to some of this being absorbed by South Africa.

3. The figure of £20 million quoted in your telegram is entirely incredible and we presume we are not intended to take it seriously.

JJJJJ

Cypher/OTP

BOARD OF TRADE DISTRIBUTION

FROM TOKYO TO BOARD OF TRADE

Despatched 9.24 a.m. 23th April 1950
Received 10.46 a.m. 28th April 1950

Sir A. Gascoigne.
NO. 105 CREDA
28th April, 1950.

CONFIDENTIAL

Your letter CRE.2697/48 of March 20th. Japanese rayon Industry.

Before preparing a memorandum to General Headquarters based on terms outlined by Courtaulds we should like to see Courtauld's letter to you referred to in paragraph 1 and paragraph 2 of your letter CRT.2697/48 of January 26th not enclosed therein.

Also we find it difficult to reconcile paragraph 4 of Courtaulds' letter to you of March 15th with paragraph 23 of Textiles Committee's report, nor can we find anything in the report to bear out the statements made by Wheldon. We must be quite sure of our brief before we approach General Headquarters.

Distribution

Jap. Trade circulation

ACTION Miss Wingate
Mr. Carr



WITH MR. HENLEY'S COMPLIMENTS



16956/77
TREASURY CHAMBERS, **248.**
S.W.1.

3rd May, 1950.

Dear Miss Wingate,

As arranged at the Working Party on Japan yesterday, I attach a draft Drive telegram to Tokyo on the subject of "commitments" versus "payments" as the basis of the trade plan. I should be grateful if you and the others to whom I am sending copies (Mr. Milner, Mr. Rosser, Mr. Dutton and Mr. Crowther) could let me have any comments by telephone this afternoon in order that we can dispatch the telegram without delay.

Yours sincerely,

Miss S.D. Wingate,
Board of Trade

Millbank, S.W.1.

D. O. HENLEY

DRAFT

DRIVE TO TOKYO

PRIORITY
CONFIDENTIAL

328

Your 273 Drive paragraph 4.

The fact that SCAP will no longer have a record of validated contracts is surely no reason why the trade plan figures should not represent estimates of the orders which are, in fact, to be placed by both parties during the year. On the basis of these figures both parties can proceed without difficulty to the administrative measures necessary to implement them and will be able, in most cases, to check subsequently on the implementation. Each from their own side.

2. We agree (a) that it will no longer be possible to make a comparison in Tokyo of the trade plan figures with comparable figures of the actual outturn; and

(b) That if a payments basis were used, it would still theoretically be possible to determine the correct import licensing policy to implement the trade plan.

3. As regards 2(a) we do not feel that the ability to compare actual payments (if complete bank returns are available as planned) with expected payments, would be particularly advantageous from the point of view of deciding on changes of licensing policy. On 2(b) we prefer a contracts basis because (a) there is a relatively direct connection between this basis and licensing policy; (b) there is, therefore, a tighter and more uniform control over purchases throughout the sterling area; (c) it obviates the need to bother about "carry-overs".

4. Discussion of this subject is difficult by telegram, but Lingeman will be able to give a fuller account of our

/views

views and we are particularly anxious to know if you
had anything more in mind than is indicated in
paragraph 2(a) above, in saying that "basis^{of} contracts
placed is an impossible one". It would be helpful
if you could send a quick reply on this point.

3rd May, 1950

16996/77
247.
SUPPLIES
4-MAY 1950
REGISTF

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Inward Telegram to Commonwealth Relations Office

ALLOTTED TO ECONOMIC IV DEPT.

CYPHER (SIMPLEX)

FROM: NEW ZEALAND (GOVT.)

RPTD: NEW ZEALAND GOVT. TRADE REPRESENTATIVE
TOKYO

D. Wellington, Nil hours, 2nd May, 1950
R. 07.40 hours, 2nd May, 1950

No. 47

Addressed Commonwealth Relations Office No. 47,
repeated New Zealand Government Trade Representative
Tokyo No. 168.

216-
Your No. 40.

TRADE ARRANGEMENT WITH JAPAN

As far as trade between New Zealand and Japan is concerned we agree that an arrangement involving the matching of sales by purchases which included inessential commodities would be undesirable. However, before formulating final attitude on the lines suggested for the arrangement as a whole we would like opportunity of considering views of other sterling area participants.

Copy to:- D.II.

C.L.C. DISTRIBUTION PLUS

Treasury
B/Trade
Colonial Office
Foreign Office
Cabinet Office
B/England

Mr. D.O. Henley
Miss S.D. Wingate
Mr. D.H. Rosser
Mr. F.H. Crowther
Mr. F. Milner
Mr. Portsmore

16996 / 77